GOVERNMENT OF ROMANIA

Ministry of Agriculture Forests and Rural Development

National strategic plan of rural development

2007-2013

Table of contents

Introduction

The National Strategic Plan for Romania was prepared on the basis of the Council Regulation (EC) no1698/2005 of 20 September 2005 on supporting rural development under European Agriculture Rural Development Fund (EAFRD). The provisions of National Strategic Plan take into account Community Strategic Guidelines referring to rural areas.

National Strategic Plan covers the 2007-2013 programming period. Based on the

analysis of the social, economic and environmental situation conducted on the basis of available statistical data it specifies the priorities and directions of rural development in conjunction with the Community priorities. National Strategic Plan is the basis for the implementation of the Rural Development Program for 2007-2013. The support for rural development under EAFRD in Romania is referred to the national level in cooperation with the regional and local organizations at the stage of development of strategy and assumptions for individual measures. One national plan shall be developed. Centralization of the programming process is justified by the fact that the majority of planned measure instruments are horizontal in their nature and the process may hardly be transferred to the regional level because of the lake of administrative structure and the complexity of the program. The planned wide set of tools shall implement strategy priorities at the national level with consideration given to the regional needs.

National Strategic Plan was subject to consultation process, including inter-ministerial agreements, as well as to consultation with socio-economic players, representatives of local self-government, trade unions, NGO and professional organizations. The list of these organisations and the consultation process is described in Annex.

The National Strategic plan uses selected basic indicators on the basis of the Common Framework of Monitoring.

1. Baseline analysis of the economic, social and environmental situation and setting of the baseline indicators

1.1 Economic situation of agriculture, forestry and the food sector

1.1.1 Comparison of relevant figures

Area	Indicator	Year	Romania	European

				average
General approach	• Gross Value Added in primary sector (Million euros) • Share of primary sector in gross domestic product (GDP)	2002 2002	4.576,9 12,5%	191.025,9 (UE 27 excluded Malta) 2,2% (UE 27 excluded Malta)
Agriculture	% farmers with basic and full education attained	2000	3.8 % (170.000 commercial farmers in relation to total)	17,5% (UE 15 hors Suede)
	Agricultural land % of national area	2000	56,6%	44,0% EU 15
	Polarity of farm structure	2002	a) fulltime farmer 'legal personality': 0,5 % of total no. but 44,7 % of UAA b) Individual Agricultural. Holdings: 99,5 % of total no. but 55,3 % of UAA	---
	Age structure in agriculture (% farmers < 35 / >= 55 years old)	2003	14%	16% (UE 27)
	Labour productivity in agriculture GVA(at basic price - in euros)/AWU (EU-25=100)	average 2002-2004	14	79 (UE 27)
Food Industry	Employment development in food industry (Thousands people)	2003	NA	4.639 (UE 25)
	Labour productivity in food industry (Gross VA/ nb of workers, in thousand of euros)	2003	NA	49,8 (UE 15)
Forestry	Labour productivity in forestry (Gross VA/ nb of workers, in thousand of euros)	2001	4.352	38,3 (UE 10)
	Average annual increase of forest and other wooded land area (1.000 ha)	2004	5.6	494 (UE 11).

1.1.2 Principal characteristics

- **Labour situation**

The labour occupation rate of the 14 - 64 years total population has drop from 64.7% in 1998 to 57.8% in 2003, while the unemployment rate (the unemployed ratio after the International Labour Bureau, from the occupied population) increase from 6.1% in 1998 to 8.0% in 2004 (OECD – 1998/2004 NUTS II).

The occupation rate of the 14 - 64 years population from the total rural population has decreased from 72.7% in 1998 to 60.6% in 2004. The main causes are the significant decrease of the occupation rate in the agriculture sector, the retirement of old persons (over 64 years) and the absence of the investments in the rural area – services and small industry – able to absorb the young labour (OECD – 1998/2003 NUTS II).

The number of individuals working in the primary sector (agriculture, forestry, fish farming) decreased from 4,347 thousand individuals in 1998 to 2,638 thousand individuals in 2004 (from 71.3 % to 62.01% of employed population in the rural areas).This numbers indicate a high occupation rate in agriculture, especially in subsistence agriculture. The economic dependence of rural populations indicates a dramatic increase of the inactive or unemployed individuals, from 814‰ in 1998 to 1233‰ in 2003 (OECD – 1998/2003 NUTS II).

During 1998-2003, the ratio of rural unemployed people of the total unemployed presented a minimum level of 28.4% (1998) and a maximum level of 35.29% in 2004. One of the major causes of the increased ratio of rural unemployed is the accelerated lay-offs in the industrial sectors, whose labour partially withdrew to the rural areas, as they had no other occupational alternatives. From the point of view of the urban – rural ratio, the unemployment rate in rural areas is from 5.8 % (1998) to 5.2% (2003) lower than in urban areas (NIS - *Inquiry on household labour - AMIGO).*

In Romania, the massive industrialization during 1970-1989 took place in a different context. Most of the workers, many of them without any professional qualifications, travelled every day from home to their work place situated in urban area, whereas their residence and home were in rural area, where they had a little household and some of the family members worked in the Agricultural Production Cooperatives. Along with the retrocession of lands and the industrial reorganization, most of this category changed into subsistence farm holdings.

During 1998–2003, the ratio of population working in agriculture from the total active population decreased, from 41% in 1998 to 35.7% in 2004 (NIS -1998/2003 country level).

As regards the training level of the rural population aged 25 - 64, during the considered period it can be noticed an increase of the population ratio with secondary / higher education, from 46.3% in 1998 to 52.1% in 2003 also because of the education or training processes undertaken by 25-64 age group in rural area increased with 0.1% during the same period.

- **Agriculture and forestry sector in the national economy**

In the analyzed period, gross value added (GVA) at national level was between 331,132.5 billions lei current prices in 1998 and 1,754,018.4 billions lei current prices in 2003, and the gross domestic product (GDP) between 368,260.8 billions lei current prices and 1,975,648.1 billions lei current prices (NIS – 1998/2003 national level). The real increase GVA represents 61% during this period.

Agricultural contributions are relatively lower, both with respect to the **gross value added** (GVA), from 16.2% (1998) to 13,0% (2003), and **gross domestic product** (GDP), in decrease with 2.7% for the analyzed period, from 14.4% to 11,7% (OECD - 1198/2003 NUTS II). An explanation for this decline may be provided by the statistical effect as, for the 4 out of the 6 analyzed years (2000-2003), non-agricultural sectors had higher economic

growths than the average agriculture growth. This dynamics is part of the specific tendencies of modern economies and agriculture.

The contribution of the primary sector (agriculture, forestry, fish farming) to the gross value added was, between 1998-2003 of 16.2% in 1998 and 13.0% in 2003 (OECD - 1998/2003 NUTS III). The decrease came from the vegetable sector, dropping from 54.7% in 1998 to 42.5% in 2002 (11,8% in the considered period) in terms of contribution to the GVA of the primary sector (agriculture, forestry and fish farming), followed by the animal sector, dropping from 39.8% in 1998 to 24,4% in 2003 (14,6%).

The farming services have very low ratios, between 2.5% in 1998 and 1.8% in 2003 (INS - 1998/2003 NUTS III). This state of facts reflects the little intensification of farming production, which is a trend for all transitional agriculture sectors.

The GVA structure for agriculture in each development region shows a relatively large variation of the ratios, from 18.1% (North –East region) to 11.2% (West region) in 1998, and from 17.9 % (North -East region) to 11.3% (South-West Oltenia region).

Labour productivity as against the national average (calculated by the ratio between the gross added value, in prices at the level of the year 2003, and the occupied population above age 15) presented a drop between the years 1998–2002. The labour productivity in agriculture as against the national average dropped from 42,3% in 1998 to 27,5% in 2002.

In other words, the difference in terms of labour productivity between the national economy and agriculture varies from 2,37:1 in 1998 to 3,64:1 in 2000 (Calculations/NIS 1998/2002 country level).

The eight NUTS 2 development regions form of an average of 4 to 6 counties (NUTS III), which varies from 2 counties – development region of Bucharest-Ilfov, to 7 counties – development region of South Muntenia.

All the regions contain the main forms of relief: plain, hill, mountain, except for the development region of Bucharest-Ilfov which has only plain. Within the South-Eastern development region there is the Danube Delta and the Black Sea shore, which are extremely important.

The ratio of the surfaces as against the total surface of Romania varies from 0,8% for the development region of Bucharest-Ilfov to 15,7% for the South-Eastern development region.

The North-Eastern development region indicates a rurality degree higher than the national average (56,5% as against 45,4%) and the population represents 17% of the national population; moreover, this is the only region with a positive natural growth, the age segment 15-34 being representative.

In terms of agricultural and arable surface, the South-Eastern development region stands in the first position in the country, with the biggest ratio within the Romanian agricultural production.

Animal breeding holds different ratios within the rural economy of the North-Western

and Central development regions.

The South-Eastern development region holds the biggest wine producing surface (4,2 % of the agricultural surface of the country as against the national average which represents only 1,7%).

In all the regions, the small-dimensioned family holdings are prevailing (1-3 ha) – vegetal, animal breeding or mixed.

With the exception of the development region of Bucharest-Ilfov, characterized by a strong economic development due to the capital, the South-Eastern development region (South Muntenia) defines itself by a complex and diversified food industry; moreover, the Western development region registers among the most developed regions of the country, as all the economic sectors are represented and the services follow an intensive development trend. The South-Western development region (Oltenia) has a huge potential in terms of tourism and agro-tourism due to the diversity of the relief, to the natural reservations, to the special flora and fauna and to some specific resources such as spa stations and mineral waters. Moreover, the agro-tourism is very well developed in the Central development region.

As for the ratio of income- only liquidity, from the total monthly household income, it reached 70.1% (1998) and 74.9% (2003), while the farming households have lower levels, between 44.1% (1998) and 45.3% (2003). There is a trend of lowering the income from agriculture both in the total household income and in the farming household income (NIS - 1998/2003 country level).

The value of consumption of the own household products also decreased for all households, from 29.1% (1998) to 24.7% (2001); for the farming households, this percentage varies between 55% in 1998 and 53.8% in 2003 (NIS - 1998/2003 country level). However, this decrease is not sufficient, as there is a need to develop the Romanian economy and start practicing modern agriculture, based not on labour, but on added value.

During 1998-2003, the **produce and food product deficit increased**, reaching the value of 1,037.4 million Euro in 2003. The ratio of agriculture exports in the total Romanian exports varied between 3-5% during this period, and the ratio of produce and food products in the total imports was of 6-8% (NIS/MAFRD - 1998/2003 country level).

During 1998-2003, *the value of produce and food product exports* was of 387 to 498 million Euros, 60-70% of the total exports being directed towards the EU or CEFTA. The most important groups of produce and food products exported during 1998-2003 (representing 78-87% of the total value) were: livestock (22.2%), cereals (14%), seed and industrial plants (13.8%), fruit (5.6%), vegetables (6.3%), wines (6%), grease and oils (7.8%) and cheese (4,1%). The analysis of the produce and food product exports shows the low competitiveness of basics produces and the high percentage of low processed produce and food products (NIS/MAFRD - 1998/2003 country level).

During 1998-2003, *the trade deficit* presented strong variations, reaching a maximum level in 2003 (1,037 million euro). The main groups of produce and food products with a positive balance of trade during 1998-2003 are relatively constant, suggesting a comparative advantage: livestock, seeds, fruit and industrial plants, alcoholic beverages. Cereals and

vegetables are also present, except for the very draughty years. (NIS/MAFRD - 1998/2003 country level)

- **Land registration**

The total farmland in Romania was assessed at 14,717.4 thousand hectares in 2003, representing 61.7% of the total land (23,839.1 thousand hectares). The farming land decreased by 84.3 thousand hectares as against 1998 (OECD - 1998/2003 NUTS III). The distribution of areas depending on their usage during 1999-2003 (INS 1998/2003 country level) is presented in **annex 1.4.1**.

During the analyzed period, the use of farming land in the state sector reflects a decrease of the total farming land from 4,326.5 thousand hectares to only 561,4 thousand hectares (87%), the same rate, being valid for arable land. The privately owned cultivated arable land increased in surface by 6-19%, after the ownership titles have been given back to the owners (NIS 1998/2003 country level). The distribution of state sector and private sector land use for the analyzed period (NIS 1998/2003 country level), is presented in **annex 1.4.2(a and b)**.

- **The situation of farms in Romania**

The structural changes in the Romanian agriculture during 1990-2003 led to a distribution of more than 96% of the farming land to private ownership, which led to the formation of small or average farms.

The main type of farm operates on an average 1.8 hectares of farming land, representing 53% of the total farming land. Farming companies have an average area of 282 hectares and account for 43% pf the farming land (RGA - 2002 country level).

From the total of 4,462,221 individual farms which have the surface of agriculture land of 7.71 millions ha., 52.4% have the surface of agriculture land smaller than 1 ha, and 42.1% have the area of agriculture land between 1-5 ha, represent subsistence farms and semi-subsistence farms (RGA – 2002, country level).

To be notice the small weight of the associative forms: Only 7.02% from the total agriculture surface, as well the lack of associative forms for the trade of agriculture products, as producers groups (RGA – 2002, country level).

Additional information regarding the structure of farms, the used farming land and their average size (RGA - 2002 country level) is presented in **annex 1.5.1.**

Table 1.

The distribution of categories of farms and the share of utilized agricultural area.

Agricultural structures	No. and %	UAA (%)	Average Size (ha)
Subsistence	3.400.089 (76.3%)	28,8	1,17

Semi-subsistence	947.484 (21.2%)	22,4	3,3
Commercial agriculture farms	92.648 (2%)	4,1	6,17
Agricultural joint-stock company	22.672 (0.5%)	44,7	274

- **Main agricultural production systems and productivity**

In the area of vegetable production, the analysis of the main crops reveals a high ratio of cereals (more than 60%) and technical plants (16.3). The average crops of cereals during the analyzed period varied from one year to another and were relatively low as against the average country potential (NIS 1998/2003 country level). Thus, during 1999 and 2001 the average wheat and rye production was 2.048 kg/hectares, for an average country potential of 5.500 – 7.000 kg/hectares and the average maize production was 3.042 kg/hectares maize seeds, for an average country potential of 8.000 kg/hectares (NIS 1998/2003 country level). The main factors affecting the crop level are natural conditions.

As for the **vineyards,** the areas cultivate with noble grapes dropped, during 1998 - 2003, from 138,4 thousand hectares to 115,8 thousand hectares, because of the cutting down of the vines which overextended their optimum production values (NIS 1998/2003 country level). An ascending trend, however, was obvious for hybrids, from 115.5 thousand hectares to 117.5 thousand hectares, almost all of them in farmers' households (NIS 1998/2003 country level). The productivity of noble wine grapes is 30 hl wines/hectare, with a significant gap from the average EU member states, of 50 hl wine/hectare.

As far as the **orchards and tree nurseries** are concerned, the areas decreased during the analyzed period from 263 thousand hectares to 227 thousand hectares (NIS 1998/2003 country level).

The situation and dynamics of the main cultures, during the analyzed period (NIS 1998/2003 country level) is presented in **annex 1.6.1.**

For livestock raising, the analysis of the total **number of animals**, poultry and bees showed a continuous decrease in the number of cattle (from 3,143 thousand heads in 1998 to 2.897 thousand heads in 2003, representing 7.8%), swine (from 7,194 thousand heads in 1998 to 5,145 thousand heads in 2003, representing 28,5%) and sheep (from 8,409 thousand heads in 1998 to 7,747 thousand heads in 2003, representing 11,4%), (NIS 1998/2003 country level). The reduction of livestock was mostly determined by the increase of animal feed prices, triggered by the draught in 2000-2003.

There was an increase in the number of poultry over the analyzed period; from 69,480 thousand heads in 1998 to 76,616 thousand heads in 2003, representing 11.4% (NIS 1998/2003 country level).

As for the number of bee families, their moves were varied, with a drop in 1998-1999 (from 620 thousand families to 614 thousand families) followed by important increases during 2000-2003 (from 648 thousand families to 840 thousand families) (NIS 1998/2003 country level).

The situation and dynamics of all the livestock during the analyzed period (NIS 1998/2003 country level) is presented in **annex 1.6.2.**

The total meat production in 2003 was 1,659 thousand tons, as against 1,594 thousand tons in 1998 (NIS 1998/2003 country level). For each breed, the cattle meat production increased in 2003 by 71 thousand tons, sheep and goats by 12 thousand tons, poultry by 96 thousand tons, and swine dropped by 113 thousand tons (NIS 1998/2003 country level).

The total milk production increased in 2003 as against 1998 by 3,403 thousand hl, of which cow milk by 3,300 thousand hl. The average annual production of cow's milk increased from 3030 litres in 1998 to 3198 litres in 2003 (NIS 1998/2003 country level).

The egg production increased by 1,110 million pieces, of which hen's eggs by 1,072 million pieces, and honey production, 7,211 tons (NIS 1998/2003 country level).

The production increase of cattle, sheep and poultry meat, as well as of milk, eggs and honey over the past two years came from the higher number of heads raised, most of them of high genetic potential. The production drop of swine meat came from the decrease in the number of heads raised, mostly because some big state-owned farms closed down.

The total animal production in the analyzed period (NIS 1998/2003 country level) is presented in **annex 1.6.3.**

- **Food industry**

During 1998-2003, the production of food units had various developments, depending on the group of products. In 2003 as against 1998, we can see a strong decrease of the meat processing by 40%, canned fish by 33%, milk by 40%, cheese by 30%, wheat and rye flour (wheat equivalent) by 17%, margarine by 27%. There are other products with significant increase: sweets and pastry by 16%, fermentation alcohol by 21%, wine by 26%, beer by 25%, tobacco products by 10%. The number of companies from food industry had an insignificant increase, from 10,237, in 1998 to 10,688 in 2003 (NIS/MAFRD 1998/2003 country level). The industry distribution shows that most companies are bakeries, mills and producers or processors of meat and meat products.

The dynamics of food, beverage and tobacco production for the analyzed period, (NIS/MAFRD 1998/2003 country level) is presented in **annex 1.7.1.**

As for the consumption of produce and food products, in 2003, vegetable products are prevailing: cereals (162,8 kg/capita.), vegetables and vegetable products (147,8 kg/capita.), potatoes (95,4 kg/capita.), fruits and fruit products (59,6 kg/capita.). A low level of consumption was registered for meat and meat products (in whole equivalent) (56,3 kg/capita) and fish and fish products (fresh fish equivalent) (3,5 kg/capita) (NIS/MAFRD 1998/2003 country level).

Therefore, the food consumption has the traits of a country where the population has low incomes: high cereal consumption, low meat and meat product consumption. The annual per capita consumption of produce and food products during 1998-2003, (NIS/MAFRD 1998/2003 country level) is presented in **annex 1.7.2.**

- **Services for agriculture**

During the analyzed period, 1998 -2003, the **number of tractors and machines** increased for tractors, ploughs, disk harrows, sowing machines and cultivators. However, the increase rate was insignificant, which led to continuous delays in timing the works and poor crop quality and quantity.

The following elements can be observed about the technical equipments: the number of physical tractor used for farming was relatively similar, 164.8 thousand pieces in 1998 and 169.2 thousand pieces in 2003 (OECD -1998/2003 NUTS III). The average load per physical tractor was 58.6 hectares arable land /tractor, and 70% of the tractors is more than 10 years old.

A similar situation can be seen in the case of combines. In 1998 there were 31.5 thousand pieces, and in 2003 there were 23.9 thousand pieces, mostly because some were replaced by more efficient combines (OECD - 1998/2003 NUTS III). The comparison with the average wheat crops shows an average load of 80-90 hectares per combine, namely an average harvesting period of 8-9 days. The development of technical equipment for agriculture during 1998– 2003, (NIS - 1998/2003 country level) can be seen in **annex 1.8.1.**

In 2003, Romania had an area of 2,871 thousand hectares prepared for **irrigations**, of which 1,500 thousand hectares rehabilitated. The irrigated areas increased from 234.4 thousand hectares in 1998 to 569.1 thousand hectares in 2003. If we analyze the situation of the prepared areas and the usage of irrigation systems, we can see that, between 1998-2003, the actual irrigated area (at least one sprinkle) was between 15.6-37.9% of the rehabilitated areas (OECD - 1998/2003 NUTS III). The reason why only 37.9 % of the rehabilitated areas were irrigated in 2003 is that the no setting up of the agricultural producer's structures were not set up as quickly as the rehabilitation process developed, that there were no irrigation equipments, and no adequate structures to be irrigated at the same time (small areas, dissipated in the organizations of water users).

Towards the end of 2003, there were 27,942 irrigations installations covering 684.6 thousand hectares, or 24.5 hectares/installation. The number of used installations was of 27,350; this indicator increased 2.3 times in 2003 as against 1998.

The development of the irrigated areas and the usage of irrigation systems, as well as the number of irrigation installations during 1998 – 2003, (MAFRD/ICDA - ASAS 1998/2003 country level) are presented in **annexes 1.8.2.** and **1.8.3.**

The **storage for agriculture commodities,** particularly cereal storage, has high conditioning costs, because not all silos and storage rooms are prepared for storing by law. Only 60% of the storage facilities are active and only 20 % updated according to the European norms (MAFRD 1998/2003 country level).

The analysis of the certified seed consumption over the analyzed period shows that the quantities had a fluctuating development and the costs of certified seeds are very high, which leads to the usage of non-certified seeds by the farmers.

The development of storage facilities and certified seed consumption for 1998-2003, (MAPDR/ASAS 1998/2003 country level) are presented in **annexes 1.8.4** and **1.8.5.**

- **Forestry**

Forests, through the multitude of functions they perform, deliver important resources for the national economy. Numerous rural communities in forest areas depend traditionally on the processing of wood and non-wood products of the forest.

One of the objectives on the long run for the forestry sector is the extension of the forestry surface from 27 % today to approx. 32 %. This policy for the extension of the forestry surface is sustained by environmental reasons and improvement of soil fertility of already degraded surfaces. This policy to extend the forestry surface is sustained by environmental and soil improvement reasons. It will contribute as well to the reduction of greenhouse gas emissions in accordance with the Kyoto Protocol.

The quota of forests out of the total territory of the country is of 26,7 % compared to the European average of 35 %. The forest surface per capita is of 0,25 ha in Romania slightly under the European average of 0,35 ha, placing the country in Europe on 10th place. To assure the wood demand and fulfilling the optimum conditions of the forest protection functions, the minimum percentage of forestation in one country should not fall below 25 %.

In 2004, the forests covered 6,382 thousand hectares, of which 6,222 thousand hectares actually in full coverage, 30% coniferous and 70% foliage trees. The rest of 160 thousand hectares are plots of land prepared for reforestation, culture, production or forest administration land, non-productive lands included in the forestry management facilities.

The forest area was constant between 1998-2004, 6.366 thousand hectares and 6,382 thousand hectares, respectively.

The forests had small variations, with an increase of around 16.000 ha due to afforestation on deteriorated lands, which could not be used for agriculture. As regards the surfaces affected by illegal cuts of wood, the landlord has the obligation to regenerate these surfaces within 2 years time.

Some of the causes who lead to the illegal wood exploitation are the wish to obtain quick incomes, low living standards of the inhabitants in the areas identified with abusive cuts of wood, low size of property, chaotic development of primary wood processing.

Measures taking in controlling the phenomenon are legislative, organisational and institutional.

Therefore, to attenuate the illegal cuts and commerce of wood, the law regarding the forest contraventions, has been modified, and was set up the control of state authority regarding the forests regime which work with others authorities and public institutions and also with civil society.

The living wood volume in the national forest fund is 1,341 million m3. The average wood volume per hectare is 218 m3. The annual total growth of forests is 34.6 million m3. The average unit growth is 5.5 m3 per year per hectare.

The surface of forests per properties forms and the surface of forests per development regions are presented in **annexes 1.9.1** and **1.9.2**, respectively.

The implementation of Law 18/1991 and Law 1/2000 brought to the public domain of local government units 806.1 thousand hectares of forests until the end of 2004, 579.6 thousand hectares being owned by legal entities (associations, religious or educational facilities) and 693 thousand hectares were owned by individuals. The division of the property is a very recent phenomenon which appeared as a result of the retrocession of the state property. Consolidating the properties represents the final goal, and it can be done either by setting up forests owners' associations, or by land consolidation with the purpose of having a sustainable management of forests.

The legal framework was revised in 2005, to recover the ownership rights over forest and farming lands, by Law 247/2005 on the reform in the private property and justice systems. Thus, the area of forests to be privately or locally owned is estimated to about 65% of the total forest area. The consolidation of private properties under efficiency conditions, in observance of forestry standards is a priority for Romanian forestry.

Towards the end of 2005, the numbers of forest owners were as follows: 2156 communes and towns, with 860,000 hectares, 1801 associations with 523,000 hectares, 5426 religious and educational facilities with 78,000 hectares and about 820,000 individual owners with 727,000 hectares (MAFRD 2005).

Most of Romania's forests are in mountain areas (58.5%). Hill areas are covered by 34.8% of the forests, and the plains only have 6.7% of the forests. (MAFRD 2004)

The forest potential, namely the wood volume which is possible to be cut annually from the forests according to the current forestry regulations varied during 1998-2004 from 12.6 million m^3 to 17.08 million m^3. (MAFRD 1998/2004)

From the forest vegetation outside of the national forest fund, 388.2 thousand m3 of wood were used, of which 243.3 thousand m3 for population needs. The average wood volume during 1998-2003 was kept at a relatively constant level, because of the basic continuity principle which is essential for a sustainable management of the forests. (MAFRD 1998/2004)

The distribution of wood volumes cut during 1998-2004 (MAFRD 1998/2004) is presented in **annex1.9.3**.

Wood from the forests publicly owned by the state is sold by public auctions. The forest owners other than the state sell their wood independently. In both cases, the wood is cut by authorized operators. So far, there are about 3200 authorized companies in the field, with about 32,800 employees. (MAFRD 2004)

There are problems of access to the Romanian forests, as the average density of forest roads is 6.4 m/hectare. (MAFRD 2004)

The primary sector of wood cutting and processing is not developed and upgraded according to the needs, as there are great investment needs and little resources. The primary wood processing industry, excluding furniture production, has about 7500 operational companies, as this sector is especially attractive for small entrepreneurs. About 92% of these operators are SMEs. There are 3500 furniture plants and workshops in Romania, with about 90,000 employees (MAFRD 2004). As a result, the necessary investments to be made for the development of these sectors will be those for increasing the quality of products so as to reach the EU standards, by preserving the environment, insuring the protection of work, leading to increase the value of products.

The forests through their functions offer important resources for the national economy. Other products sold by forestry facilities are: osier, plant seeds and saplings, wild fruit and mushrooms, fir trees, mountain fish etc.

The total value of production in 2004 was 350.8 million Euros, of which 273.5 million Euros (77.8%) the amount from wood sales. The income of the national forest fund publicly owned by the state and managed by the National Forest Regie was of 288.5 million Euros, of which 216.3 million Euro wood sales. The income of the forests owned by other entities was 62.3 million Euros, of which 57.2 million Euros wood sales. (MAFRD 2004)

About 40% of the wood volumes cut every year goes to the population in rural areas (firewood, building, crafts etc.). (MAPDR 2004)

The value of exports for primary processed wood was in 2005 of 432.5 million Euros, and the imports of 15 million Euros. (MAPDR 2004)

The rich landscapes, flora and fauna in the Romanian forests, from the Danube Delta to the alpine areas have a great tourist potential which should be explored accordingly.

Hunting is also a source of income both from the game products (meat, live animals, trophies etc) and from rent, fees and associated services.

- **Agriculture and forestry infrastructure**

Taking in account that the land retrocession process, for the agriculture and forestry sector, was not finished in 2003, as well, the large number of individual farms, it was impossible to set up the farm and forest exploitations for creating the agriculture and forestry infrastructure.

The agriculture and forestry infrastructure is the one remain from the old state organisational form, and it is not adapted to the actual needs of the agriculture and forestry sector.

1.2 Environmental situation

1.2.1 Comparison of relevant figures

Area	Indicator	Year	Romania	European average	Source

Utilization of the territory	UAA / total national area	2000	56,6%	47,4% (UE 27)	Eurostat (Corine Land Cover 2000)
	Forestry area / total national area	2006	29,3%	30,9% (UE 27)	Eurostat (Corine Land Cover 2000)
	% of the UAA classified in less favoured areas	2000	N.A.*	55,4% (UE 25)	* project LFA – IER
	% of the UAA classified in mountain area	2005	19,67%	16,3% (UE 25)	Situation of mountain areas 2005 – MAPDR
	% UAA for extensive grazing	2003	37,3%	22,3% (UE 27)	Eurostat (Farm Structure Survey / land use)
	Average annual increase of forest and other wooded land area (1000 ha. / year)	2000-2005	5,6	494 (UE 27)	FRA
Biodiversity	Trends of index of population of farmland birds (2000 = 100)	2003	N.A.*	96,2 (UE15)	
	UAA of High Nature Value Farmland areas (Million ha)	2000	3,32	33,6 (UE 27)	Analiza CLC 2000 – MAPDR (indicative)
Water	Surplus of Nitrogen (kg/ha)	2000	N.A.*	55 (UE 15)	
	Trends in the concentrations of nitrate in surface waters (1992-94= 100)	2000-2002	N.A.*	89,1 (UE 27)	
Soil	Areas at risk of soil erosion (Ton/ha/year)	2004	5,29	1,52 (UE 27)	Diagnosis of the rural area– ASAS - ICPA
	% of the UAA under organic farming	2005	0,75	3,41 (UE 27)	Diagnosis of the rural area – ASAS - ICPA
Climate change	Production of renewable energy from forestry (kToe)	2006	1.663	57.590 (UE 27)	MEC
	UAA devoted to energy and biomass crops (thousand of ha)	2004	N.A.*	1.383 (UE 27)	
	Agricultural emissions of greenhouse gases (1000 t of CO2 equivalent)	2003	11.946,5	484 328 (UE 27)	Eurostat

Currently under preparation

1.2.2 Principal characteristics

The territory of Romania comprises the three geographic types – plain, hills and mountains, with a high level of pedo-climatic and geographic diversity. It is worth mentioning that there is present one of the most important wet areas in Europe – The Danube Delta, and in the Carpathian Mountains there are 300.000 ha of virgin forests. There and in some other specific sites are also present some endemic species and some of EU interest.

The **main characteristics regarding the environment status** of agricultural utilized areas have changed during the last 16 years as consequence a reduction of the utilization of chemicals, a strong fragmentation of agricultural land, contributing to the reconstruction of some natural elements of traditional agriculture with general positive effects on biodiversity. Setting aside of land has a negative effect on biodiversity, as grass land is not used and live stocks are diminished. As a consequence some grass lands are in a bad condition. Another threat for agriculture is the change of use of

agricultural land with possible impact on biodiversity (The dynamic of land use between 1990-2000, based in the analysis of the maps by Corine Land Cover, is presented in the table in ***Annex 2.1***). The intensive use of fertilizers and pesticides in some areas, incorrect irrigation and draining practices, the applied mechanization, which are incompatible with these activities, brought the environmental factors (especially land and water) in a very bad condition.

- **Utilization of the territory**

Less favoured areas (LFA) with natural handicaps allow a restricted land use, so that the work-costs are very high, these areas are mountain areas with very difficult conditions because of the altitude and the inclination (mountain area in ***Annex 2.2***) and also **areas with specific or significant handicaps,** which allow restricted land use and restricted production because of the restrictive natural factors (conditions of productivity due to natural conditions are reflected in the established economic value of agricultural land presented in ***Annex 2.3***). In this last category there are included:

- areas with water erosion – basins, ravines, torrents,
- sandy areas and areas prone to desertification,
- areas with too high humidity and prone to floods ***(Annex 2.4)***,
- areas with salts or acids ***(Annex 2.5)***, and
- areas with extreme conditions of the land (with clay or sand).

The mountain areas in Romania are ruled by the national legislation; these areas are situated in 28 counties, 826 communes and 3536 villages. The mountain areas have 2.905.377 inhabitants (approx. 13,2 % from Romania's population), therefore 1.307.869 farmers, there are 954.922 farms, therefore 815.813 have agricultural land. In the mountain areas there are 7.325.274 ha land, therefore 2.894.573 ha agricultural land (12,14 % from Romania's land and 19,67 % from the whole agricultural land) and 4.430.701 ha non-agricultural land (18,59 % from Romania's land and 48,57 % from the whole non-agricultural land). Sandy areas have a restricted repartition over Romania's territory, for example in Oltenia lowlands, Carei lowlands, Bărăgan lowlands and in parts of the Danube Delta. Areas that could become arid are about 0,4 million ha and have a very low ground water level. Some of these sites have high specific biodiversity components.

- **Soil**

In Romania the soil is in a bad **condition** because of erosion, becoming acid, alkalifying, too much or too less humidity, salt consistence and compaction. The dynamic of fertilization at national level shows that there is no "pressure" on the soil, there is only a main factor of crop reduction, together with drought and other restrictive factors. Recent studies show a falling trend in the used chemical fertilizers. The use of pesticides keeps the same descendent trend as the use of chemical fertilizers. This situation is the consequence of the fact that farmers have a reduced capacity of purchasing chemical products (The technological use of chemical products at national level is presented in ***Annex 2.6***).

The main process of **soil degradation** is by extension and socio-economic impact water erosion, which affects together with landfall more than 7 millions ha of agricultural land. The areas with the strongest erosion are Moldavian uplands, sub Carpathian hills between Trotuş and Olt, Getic uplands,

and Transylvanian Hilly Depression (maps showing the areas affected by erosion as well as the intensity of erosion is included in ***Annexes 2.7-2.9***). The quantity of land which is annually lost by erosion in the entire country is 126 million tones.

Floods have an active role in the appearance and development of processes of strong land erosion. These are very strong in may-august and are due to the torrential rain specific for the continental climate (Annual precipitations are presented in ***Annex 2.10***).

The second factor for soil degradation is the too **high humidity** that affects 3,8 millions ha agricultural land and 0,6 millions ha forests (the areas affected by high humidity are presented in ***Annex 2.11***), and the drought affects about 7,1 million ha agricultural land and 0,2 million ha forests (areas affected by drought are presented in ***Annex 2.12***).

A primary natural process is **salinization** (Salinization processes are illustrated in ***Annex 2.13***). This is intensified through some bad applied amelioration techniques such as containment, drainage and irrigation. The salinization processes affect about 614 thousands ha and are especially in the eastern part of the Romanian Lowland and in the Western Lowland.

Soil compactation and crust building play an important role in soil degradation. Compactation affects about 2 million ha therefore 1,3 million arable lands and is due to the use of heavy agricultural machines on soil with too high or too low humidity. The process of crust building affects about 2.3 million hectares.

- **Water**

The hydrological resources do not have a uniform repartition on space and time, so that there are strong annual fluctuations of crops. Without including the Danube water, Romania has an average of only 2660 m^3 Water/inhabitant/year, comparing with the European average of 4000 m^3 water/inhabitant/year, so it belongs to the category of countries with poor water resources; therefore a good water management is necessary.

The **water deficit** affects Dobrogea Uplands, the Danube Delta, the eastern part of the Moldavian uplands and Bârlad uplands, the southern part of the Romanian lowland and the western part of the West Lowland (Areas affected by frequent drought are in ***Annex 2.12***, the aridity-index is in ***Annex 2.14***), including also the insufficient regularization of the river flows.

There are quantitative and qualitative modifications of water lodes because of hydro technical works, including water catchments, and because of pollution.

A revision of the sensitive areas was made at the end of 2004 at the level of territorial-administrative units NUTS 5 – communes as a consequence of the analysis of water polluted with nitrates (Map of the communes which are sensitive areas for nitrates pollution from agricultural sources, historical or current – ***Annex 2.15*** and the degree of sensitivity in these areas ***Annex 2.16***). As a consequence of this revision 251 communes where identified that have 1.138.114 ha agricultural land (from which 809.326 ha arable land) and are polluted with nitrates from agricultural sources (166 current sources and 34 historical sources for pollution). Eutrophication took place especially after 1990

as a consequence of intensive use of chemical products in the past (on azote, phosphor and potassium basis) because of a bad management of waste from the livestock husbandry farms and due to the lack of water clearing.

The worst **quality of groundwater** is in the rural areas, where there are no installations and the waste gets directly in the subterranean area (through permeable latrines or street dikes) or it gets indirectly (from stable manure dumps, garbage dumps). In some areas the ground water might be polluted and there is no compliance to the quality-standards.

Centralized systems of water supply and canalization are deficient at national level, as only 52 % from the population benefits from them. About 25 % of used water is slopped with no cleaning, 19 % are treated only mechanically and 56 % are treated through the secondary biological level, there is no advanced biological treatment yet (third level). In rural areas about 67 % from the population has no access to drinking water and about 90 % has no access to canalization. These aspects influence the quality of water, as well at the surface as underground (the waste gets directly in the subterranean area (through permeable latrines or street dikes) or it gets indirectly (from stable manure dumps, garbage dumps). In some areas the ground water might be polluted and there is no compliance to the quality-standards. The most important improvement was made by the SAPARD Program. 234 Projects were approved and centralized systems for water supply were made (4202 km) for 850.000 inhabitants and 77 projects were approved through which centralized systems for canalization in rural areas were made (781 km) for 310.000 inhabitants.

In some areas there is a high humidity and floods-tendency, the “wet areas” category is important for the management of biodiversity conservation. The best example in Romania is the Danube Delta, but also areas on the Danube meadows and on the big rivers (Siret, Mureş, Prut, etc.)

In Romania there are often **floods**, especially in spring, when the snow melts and in summer because of the rain, when the water flow is higher than normally. Floods are more frequent and with a greater volume because of the climate changes, because of unauthorized constructions along the rivers, forests cuts and due to illegal clearances. Areas that are most affected by floods are along the rivers Criş, Someş, Mureş, Târnave, Timiş, Olt, Argeş and the Danube meadow.

- **Biodiversity**

During the last decades, the natural conditions and the landscape in Romania were influenced by the evolution of economic activities, as well as by the economic growth from the last years, which lead to an excessive exploitation of the natural resources (the changes in land use between 1999-2000 results from the table in ***Annex 2.1***). ***Annex 2.17*** presents the land use in Romania according to the maps of Corine Land Cover; the areas with extensive agricultural activities or with other activities with strong impact on the environment are illustrated. In these conditions many species of plants and animals are threatened to disappear and the modification of the landscape is the first indicator for environmental deterioration.

Regarding the **Flora,** 3700 species of plants were identified in Romania, out of which 23 are declared under protection, 74 are extinct, 39 are endangered, 171 are sensitive and 1.253 are rare.

181 species are included in the "Red List of Superior Plants in Romania" (published by the Romanian Academy and The Institute for Biology in 1994) as endemic, rare or vulnerable species. 57 endemic taxons and 171 subtaxons were identified; the endemic species represent about 4 % of the species found in Romania. A significant number (~ 60 %) of the estimated taxons in Romania are represented by the species that are typical for alpine and sub alpine permanent grasslands, grasslands and mountain meadows.

Regarding the **Fauna,** 33.792 species of animals were identified, therefore 33.085 non-vertebrate and 707 vertebrate species. Out of 191 species of fish, 38 are in a bad conservation status (11 species are endangered, 16 are vulnerable and 11 are rare). From the 20 species of amphibians 12 are in a bad conservation status (3 are endangered, 9 are vulnerable), from the 30 species of reptiles 5 are in a bad conservation status (4 species endangered and 1 vulnerable), from the 364 species of birds 35 are in a bad conservation status (18 species are endangered and 17 species are vulnerable) and from the 102 mammalian species 102 have a bad conservation status (19 species are endangered, 26 species are vulnerable and 13 species are rare).There is a number of 5600 brown bears (60 % of the European population of brown bears – Ursus arctos), about 3000 wolfs (40 % of the European population of wolfs – Canis lupus) and 1500 lynx (40 % of the European population of lynx – Lynx lynx), these species are symbols of the woods and the natural habitats and can be used in order to populate other areas of Europe, where a regress occurred. The aurochs, a rare animal protected by law, disappeared from our woods a century ago and lives only in reservations.

The natural and semi-natural ecosystems cover 47 % of Romania's land territory offering a wide range of **habitats**. 783 types of habitats were identified and characterized (13 coast habitats, 143 habitats specific for wet areas, 196 habitats specific for grasslands and meadows, 206 forest habitats, 90 habitats specific for dunes and rocky areas and 135 habitats specific for agricultural land) in 261 areas analyzed in the whole country. There are also a number of 44 areas with avifaunistic importance, with a surface of 6,557 km, representing 3 % from the country's surface.

Among the EU member states and candidates Romania has the greatest **biogeographical diversity** (5 biogeographical regions from the 11 at European level), most of them are in a good conservation status (Biogeographical regions in Romania are presented in ***Annex 2.18***). From the 198 types of European habits, from which 65 are with priority, 94 types of habitats are in Romania, therefore 23 are with priority at EU Level and their conservation imposes designation of some Special Areas of Conservation (SAC).

Rural areas in Romania are characterized by a great **landscape diversity** concerning as well geographical characteristics but also the cultural heritage. Economic and social changes during the last 15 years had as consequence the fact that agricultural activities were abandoned (in areas with difficult natural conditions), the intensification (in low areas) and the change of the land use (the situation at national level for 1990-200 is presented in ***Annex 2.1***), so that the traditional landscape is threatened.

The total surface of **protected areas** in Romania is approx. 1.886.705 km2, covering about 7,83 % of the country's territory (1 Biosphere Reserve – 576.216 ha, 13 National Parks – 318.116 ha, 13 Natural Parks – 772.128 ha, 981 Natural Preserves – 179.193 ha and 28 Special Environmental

Protected Areas – 21.052 ha) (National Network of Protected Areas in Romania ***Annex 2.19***).

Out of these, several protected areas are of great interest, at national as well as on international level, having a multiple status:

- Danube Delta Biosphere Reserve – Biosphere Reserve (UNESCO Biosphere MAB Committee – „Man and Biosphere"), Wetland of International Importance (Secretariat of the Ramsar Convention), and World Heritage Site (UNESCO)
- Retezat National Park – Biosphere Reserve (UNESCO Biosphere MAB Committee – „Man and Biosphere");
- Rodnei Mountains National Park – Biosphere Reserve (UNESCO Biosphere MAB Committee – „Man and Biosphere");
- Brăila Lake National Park – Wetland of International Importance (Secretariat of the Ramsar Convention).

A preservation of the European natural heritage is offered through the **European Network Natura 2000**, whose purpose is the preservation of species and habitats of Community interest. Regarding the implementation process of the Natura 2000 network in Romania (Areas proposed to be included to the Natura 2000 sites in Romania are in ***Annex 2.20)***, up to now have been identified and will be proposed to be included as Natura 2000 sites:

- 148 sites SAP (Special Avifaunistic Preservation Areas) representing approx. 14,06 % of the Romanian territory,
- 229 sites SCI (Sites of Community Importance), representing about 7 % of the Romanian territory. The area of the Natura 2000 sites will be completed until the end of 2006 and it is appreciated that approx. 10 % of the country's forests will be included in this network.

The filling out of the Standard Forms is undergoing, following that at the end of 2006 a complete list of Natura 2000 site proposals to be presented to the European Commission. The expected outcome of the implementation of Natura 2000 network in Romania is the safeguard of a favorable status for the preservation of habitats, flora and fauna of Community importance.

Regarding the **High Natural Value farming systems (HNV farming systems)** in Romania the following observations can be made: Based on recent studies, it can be estimated that approx. 3.32 million hectares of agricultural land with high natural value are present in our country (Agricultural surfaces with high natural values in Romania in ***Annex 2.21***). The contingent of these surfaces covers approx. 13.93 % out of the Romanian total surface area and approximately 22.56 % of the agricultural utilized area. These studies were based on the overlapping of different maps realized through the Corine Land Cover program in 2000. These maps containing different types of extensive land use, with aspects specific for HNV areas, show that there are important surfaces covered by permanent grassland, natural meadows and other important agricultural land, due to the biological diversity some of these surfaces being classified as protected areas (overlapping of HNV areas with the National Network of Protected Areas in ***Annex 2.22***). The natural and semi-natural grasslands represent the most valuable ecosystems out of the agricultural land surfaces, however the relinquish in some parts of the traditional agricultural activities (grass mowing, grazing) led to a degradation of habitats and landscape modifications. A tendency appears in mountain areas to abandon traditional agricultural activities on natural and semi-natural meadows, leading to the modification of ecosystem structure and

landscape (the extent of the phenomena associated with the abandon of agricultural activities are presented in ***Annex 2.23***).

Regarding **Agro-biodiversity,** Romania is one of few European countries in which traditional agri-systems represent significant pools preserving the genetic diversity of crop plants and animals at the place of formation and development (in situ). Preservation of the diversity of species and of the genetic diversity at the level of the individual farms constitutes a key element for a sustainable agriculture.

The catalogue of **domestic animals** includes 79 species (out of which 29 are still active, 19 are endangered and 34 have been extinct). It has to be mentioned that many local species (Țurcana, Țigaia – sheep breeds, Carpathian Goat etc.) have a reproduction system in local communities (reproduction isolated on a certain area, without a genealogic register and official control of production, the selection being made according to the preferences of the owners). A special emphasize is put on the preservation of four endangered species: Romanian Steppe (35 animals, Iaşi county), Rața sheep (1.708 animals, Caraş-Severin county), Mangalitsa swine (31 animals in Cluj and Neamț counties), Bazna swine (54 animals in Cluj county), but also other species are under scrutiny.

As **plant varieties** there are local plant species, endangered and distributed as follows: Bucovina (Zea mays – corn, Phaseolus coccineus – bean, Solanum tuberosum – potato, Vicia faba – pea), Maramureş (Zea mays – corn, Phaseolus coccineus – bean, Phaseolus vulgaris – bean), Apuseni Mountains (Triticum monococcum – alac wheat, Zea mays – corn, Phaseolus coccineus – bean, Solanum tuberosum – potato). In some parts of the country (the Romanian Lowland, the Western Lowlands, and the Transylvanian Plain) the intensive agriculture on compact agricultural land exerts pressure on the elements of biodiversity.

The **ecological cultivated agricultural land** has risen 5 times in 2004, compared to the year 2000, respectively from 17.348 ha (in 2000) to 75.500 ha (in 2004). From the analysis of the surfaces cultivated with main crop plants, in 2004, it can be reasoned that natural grasslands and feeding stuff crops have a high proportion of 27.000 ha. A rising tendency can be observed for cereals (27,9 5 in 2004) as well as for oilseed and protein plants (27,2 % in 2004). For 2005, the surfaces cultivated following ecological production modes is estimated at 110.000 ha, representing 0,75 % out of the agricultural land of the country. Also it can be noticed an increase of live stocks bred in ecological systems.

The pursue of **ecological agriculture** in Romania is favoured by the existence of traditional agricultural systems, extensive in their majority, and the fact that in average the use of chemical fertilizers is 8 to 10 times lower than in EU states, and products for phytosanitary use are only assured up to 20 – 25 %.

Regarding the **biological pollution indicators,** relatively few studies have been carried out on the species living in habitats represented on agricultural and forestry lands and the existing data is punctual. In general it can be said that these communities are well preserved, without incurring any major pressure. This fact is probably due to the mainly extensive character of the Romanian agriculture. However in particular cases there are also areas under pressure by human activities which led to an unfavourable evolution of the preservation of wildlife. The distribution of some representative

bird species distinctive for agricultural surfaces and the preservation of these populations are presented in ***Annex 2.24***.

- **Air quality**

The atmosphere state is influenced by the quality of precipitation, the ozone layer, the dynamics of greenhouse gas emissions and it reflects in some climatic changes. Regarding its impact, agriculture influences the **air quality** through the emission of substances with acid-forming effect, residual organic pollution, photo-chemical oxidants and greenhouse gases.

From the artificial sources with acid-forming effect, the most important source for ammoniac production is agriculture, and namely intensive livestock husbandry. The proportion of agriculture in the generation of ammoniac emissions represents 80,26 % and results from the dejection produced by livestock husbandry and the chemical fertilizers used for crop cultivation. Romania has committed itself that in 2010 the level of emissions will comply with the thresholds stipulated in the Gothenburg Protocol (Yearly emissions of ammoniac in ***Annex 2.25***).

As for the organic pollution the main source is agriculture, especially through the existing stocks of banned, unidentified and/or expired substances. In context of pollution distance, based on the data presented by the European Environment Agency, Romania is for the time being the importer of this type of pollutants.

Azoth oxides generate important changes in the concentration of greenhouse gases, resulting mainly from the decomposer of chemical fertilizers and the combustion of biomass.

Climatic changes and greenhouse gas emissions are of great importance through their effect on global level, the issues of fighting climatic changes having a multi-sectorial approach. In Romania the effects of climate changes had an impact on agriculture and forestry are as follows:

- in the last decade, the aridity and flood periods have become more frequent, with negative impact on agricultural productivity (especially for wheat and corn), as well as for flora and fauna species.
- more than a quarter of the Romanian territory is covered by forest areas, including a large number of species and ecosystems. The impact of climatic changes over the Romanian forests has been analyzed with the aid of several global climate models. For the forest areas situated in low or hilly landscapes a considerable decline of productivity is estimated after 2040 due to the rise of temperature and decrease in the volume of precipitations.

Romania is the first country that has signed the **Kyoto Protocol**, showing thus its commitment to fight against climatic changes. Regarding the objective to reduce the emission of greenhouse gases, Romania is a leader among the new member states, with a reduction of more than 30 % of gas emissions (The evolution of greenhouse gas emissions on activity branches in the period 1989-2002 in ***Annex 2.26***). This performance is not an outcome of an efficient environment policy, but rather a result of the restructuring of the industrial capacities and the general economic decline in the period 1990 – 1999. According to the provisions of the Kyoto Protocol, Romania has committed itself to reduce GHG emissions with 8 % compared to 1989 (departure year) in the first period of commitment 2008 – 2012. The year of departure for the emission of HFCs, PFCs and SF6 is 1995.

With regard to the **relation between the climate changes and floods**, it has been observed that the frequency, localization and intensity of floods varies as a result of seasonal and regional variations, other meteorological phenomena and several climatic changes on the long run (Recurrence of floods in Europe in the period 1998-2002 in ***Annex 2.27***). Also human activities play an important part. The deforestation of mountain areas increases the quantity of water that participates in the run-off of precipitation on the versants, increasing therefore the occurrence of flooding.

The greatest part of **gas emissions** are caused by the **energy industry** (Tendency of GHG emissions on activity branches in the period 1989-2002 in ***Annex 2.26***). Concerning the use of renewable energy sources, Romania benefits from the production of hydro-electricity, which combined with other modest sources of renewable energy assure 28,8 % of the total energy consumption. This figures place Romania on the third place in Central and Eastern Europe, after Latvia and Slovenia. The implementation of the provisions regarding renewable energy sources is extremely important for the fulfillment of objectives laid down in the Lisbon Agenda. The energy potential of biomass is approx. 7.594.000 eot (equivalent oil tons) / year, out of which 15,5 % represent residue of forest enterprises and firewood, 6,4 % sawdust and other wood residue, 63,2 % agricultural residues, 7,2 % household waste and 7,7 % biogas (Energy production from renewable energy sources in ***Annex 2.28***).

The increase of the quota of **renewable energy sources** out of the total consumption of primary resources in Romania, will be obtained through investment in renewable energy sources unused until now (solar energy, geothermal energy, wind energy) and through the increased use of hydro-energy. Concerning the energy obtained out of biomass it is envisaged the opportunity to introduce measures to sustain investments for biogas and biofuel production through the recovery of residues coming from livestock husbandry or from other cleaning installations and through the cultivation of plants used for the obtainment of bioenergy.

Forests are closely related to the **prevention of floods**, with an impact in the regulation of water flows, in the assurance of water quality and in the protection for water sources with a unique character for local communities that have no alternative water resources. This is the case of the forests situated in the protection perimeter of underground or surface water resources, as well as the forests situated on the versants of natural and barrier lakes. Forests are frequently important in the **preservation of soil stability**, including also the control of erosion, landslides or avalanches. The afforestation of surfaces with a high risk of degradation is a necessity. The afforstation with native species will be directed primarily toward this kind of agricultural lands with erosion problems and risk of landslides (for instance in Moldavia) or of former forestry surfaces, but which due to illegal clearances have started to degrade (some parts of Maramures) or the southern part of the country, were due to the introduction of the irrigation and dam systems, the soil has undergone an acute desertification phenomena.

Finally, regarding the linkages between **forests and the management of biodiversity**, Romania is one of few European countries that still have virgin forests – approx. 300.000 ha, mainly located in the mountain areas. All forests include multiple environmental and social values, e.g. wild life habitats (especially those situated in potential Natura 2000 sites), assuring the protection of torrential hydrographic basins, fulfilling the most diverse protection functions and assuring also all important social nature services for human communities. In the cases were these values are considered to be of

high or critical importance, the forest may be defined as forest of high conservation value. Until November 2005, 1 million ha of Romanian forest have been certified as forests of high conservation value.

1.3 Social and economic situation of rural areas

1.3.1 Comparison of relevant figures

Area	Indicator		Romania	of which rural zone*	European average	of which rural zone
Importance of the rural zones	% territory in rural areas		100 %	99,9 %	100 % (UE27)	92,7 %
	% population in rural areas		100 %	91,1 %	100 % (UE27)	58,3 %
	% GVA in rural areas		100 %	81 %	100 % (UE27)	45 %
	% employment in rural areas		100 %	90,3 %	100 % (UE27)	60,2%
Economic activities	% holders-managers (part-time farmers) with other gainful activity		19,9 %	19.9 %	27,4 % (UE27)	-
	Employment by branch	primary	36,84%	67,3% (NIS 2003)	6,79% (UE27)	-
		secondary	29,77%	16,9%(NIS 2003)	26,36% (UE27)	-
		tertiary	33,49%	15,8%(NIS 2003)	66,85% (UE27)	-
	% GVA by branch	primary	12,5 %	16%	2,2 % (UE27)	3,8%
		secondary	37,5 %	38,6%	26,7 % (UE27)	29,7 %
		tertiary	50,0 %	45,4%	71,1 % (UE27)	66,5%
	Self-employed persons (Thousands people)		1 851	1801	31 542 (UE27)	-
Population and services	Net migration crude rate (rate per 1000)		-0,3	-0,7	3,9 (UE27)	-
	Life long learning (% of adult participating in education and training)		1,4 %	1,3%	8,5 % (UE25)	7,8 %
	Tourism infrastructure in rural areas (Nb of bed place)			277 047		24 903 503 (UE 27)
	Infrastructure	Road	63 742 km NIS 2004	30 000 km World Bank report	-	-
		Water NIS 2004	40 269 km	11 678 Km	-	-
		Waste NIS 2004	17 514km	1 117Km	-	-

1.3.2 Principal characteristics

- **Rural zones and physical infrastructure**

Romanian **rural population** in predominant rural area is represented by 48% of the whole population, living in about 3000 localities (communes and small towns). The rural population density has been relatively constant, around 46.7 inhabitants /km^2. The traditional rural administrative local governance is "commune" which is comprised by small villages, most of them with a high rate of disperse. Such figures show the unfavourable conditions for creating and maintaining social and economic viabilities. Moreover, the long distances and poor accessibility to infrastructure and basic services doesn't facilitate their viability.

In 2003, 10.43 millions inhabitants representing 48 % of the total population were living in rural areas. The **rural population density** has been relatively constant, around 46.6 – 46.7 inhabitants /km^2 (OECD - 1998/2003, NUTS III).

The following age groups can be described for rural populations in 1998-2003:

- the 0 - 14 years population decreased by 5.2% (from 2.05 million, representing 19.8% in 1998 to 1.94 million, representing 18.6% in 2003, OECD - 1998/2003, NUTS V);
- the 15 - 64 years population was relatively constant (6.56 million representing 63.3% in 1998 and 6.61 million representing 63.4% in 2003, OECD - 1998/2003, NUTS V);
- one of the phenomena affecting rural areas is the aging of the population, as the population above 65 increased by 6.5% during the analyzed period (from 1.75 million representing 16.9% in 1998 to 1.88 million inhabitants representing 18.0% in 2003, OECD - 1998/2003, NUTS V).

As it was presented in the agri-food sector analyses, over the whole transition period agriculture has played a very important social role acting as an occupational buffer against the socioeconomic effects of the transition, by absorbing an important share of labour made redundant by urban industries, but this role condemned farming to stagnation, low performance and limited profitability contributing to growth of poverty in rural areas.

In this respect, results, in a clear way, the necessity of **agricultural sector restructuring**, in order to increase the competitiveness in this field, this also implies that of adjustment of agricultural labour force. In this sense, in order to avoid the export of single employment rural population from rural area in urban area, it is necessary to offer the opportunities for jobs creation in the non-agricultural rural economy framework for rural population.

Rural infrastructure, including rural roads and water supply, has a potentially important impact on rural development in general and on local non-farm investment incentives in particular. Existence of basic infrastructure is instrumental for development of local SMEs.

In rural area ***the roads*** are by far the predominant mode of internal transportation, the rural local roads accounts for most of the networks and traffic flows are modest by European standards. The absence of an adequate transport service in many areas makes it difficult to supply training and education for the rural population and also health care

services. Thus, the provision of transport is a major priority for those living in rural areas especially in the context of a tendency towards service concentration in larger centres. The access of rural population to basic education and healthcare services is hindered by underdeveloped transport services which affect the daily commuters as the doctors and the teachers coming from the towns.

However only half of the communes have direct access to the main network of the road transport and therefore the current road network deserve only 3/5 of the rural population. About 25% of the commune's roads could not be used during the bad weather. Regarding he roads in Romania at 2003 level, only 10.2% of the county and commune roads were modernized and 29.2% were finished with light covers. Most of the roads were commune roads at the beginning of the period, and in 2000 most of them were county roads, because part of the commune roads had become county roads. (NIS data)

Commune roads are to be maintained by communes and they amount at 28,000 km, and the village roads amount at 30,000 km (these are low traffic roads), connecting villages, or ensuring the access to farming lands. Because of these factors, the inhabitants take very long to get from one place to another, and the carriers refuse to deliver transportation services.

Rural water supply system represents a major constraint for development of economic activities in rural area and this conclusion is based exclusively on quantitative assessment without taking into account the quality standards of drinkable water required for discharge networks in the same time. In 2004, only 29 % of the rural households had access to water supply from public systems or private wells and the situation is much critical when it comes to hot water supply system (MEWM). ***Public sewerage network*** is just in an incipient phase in rural areas. In 2004 only 6,4% (1117 km) villages were connected to a sewerage network (MEWM). This proportion shows a very high risk of pollution and environment damages especially in localities were sewerage network does not exist in parallel with water supply networks.

In **conclusion** besides roads, water supply system and sewerage network also represents a major constraint for development of economic activities in rural area which has to be managed.

- **Economic activities**

Analyzing the **demography and employment trends t**he structure on age groups 0-14 years population registered a diminution in the period 1998 - 2003 to 1, 94 millions inhabitants, while 15-64 years population remained relatively constant, to 6.61 millions inhabitants. One of the phenomena affecting rural areas is the aging of the population, thus, the population above 65 increased during the analyzed period to 1, 88 millions inhabitants (NIS data).

Analyzing the **population occupied in non-agricultural fields in rural ar**eas, a descending trend was recorded between 1998 – 2003 (1490 people) period phenomenon especially determined by weak access to rural basic technical and social infrastructure. As a result, the employment rate of the rural population aged between 15 – 64 years decreased

with 1,3% to 661.6% in 2005. In terms of different sectors the ratio of occupied population in rural areas, in 2003 was of 67.3% in the primary sector, 16.9% in the secondary sector and 15.8% in the tertiary sector. At the regional level, the unemployment varies, between the minimum level of 10.2% and 42,5% South –Muntenia Region . (NIS dates)

As a consequence of the **agriculture mono-employment**, it is also interesting to analyze the rate of long-term unemployment, which increased with almost 2% , becoming 4.3% in 2003. Although this indicator has rose, the long-term unemployment is mainly an urban problem, while in rural areas the major problem is unemployment combined with a low productivity of the current agricultural activities and also a weak involvement in non-agricultural activities.

Taking in account the regional figures the long-term unemployment in the Northeast region is lower (from 3.5% in 1998 to 3.3 % in 2003), but in the other regions this indicator rose (NIS data).

In terms of economic structure, the GVA ratio in the primary sector decreased with 3,2% becoming in 2003 13%, and there were also, less significant, drops in the secondary sector, recording 34.8% in 2003, while the tertiary sector increased from 48.4% in 1998 to 52.2% in 2003. On a regional basis, the GVA ratio in the tertiary sector varies between 45.1% in the South-West - Oltenia Region and 51.9% in North West, in 2003. As a result of the changes recorded in the transition period, in the majority households, agriculture is a residual occupation for rural people which can't be employed in a non-agricultural sector (NIS dates).

The **occupational structure for each economic sector** shows that most labour is occupied in the primary sector, 35.7%, followed by the tertiary sector 34.5% and the secondary sector 29.8%. In what concerns the rural economical environment, in 2003, have been working, in average, 64 135 of economic agents from which 90,1% (57 792) economic agents involved in non-agricultural activities. Among economic agents from rural environment with preoccupations in non-agricultural field, the highest weight is hold by economic agents with trade activities, respectively 55.9%, followed the economic agents with activities in transport field, storage and communication 7.19%, hotels and restaurants 6.8%, the manufacture of wood and wood products 6.03%, building 3.9%, and services 3.8% (NIS Dates).

Economic agents which unfurls non-agricultural activities with reduced a weight are electric and thermo energy, gas and water 0, 19%, extractive industry 0, 22%, and 0,5% in industry of leather goods. In what concerns the economical agents implied in handicrafts activities owns a low weight between 1-2.6%.

The number of **SMEs** which have been activated in Romania in period 1998-2003, in rural environment, has been maintained relatively constant (63 957 in 1998, respectively 63 944 in 2003).During the years, the most SMEs from rural area has been created in the trades area (56, 1%), followed by processing industry (17, 3%), agriculture (9, 7%), transports (6, 5%), hotels and restaurants (6, 1%) building (3, 5%), services (3, 5%), and the extractive industry is placed the last with (0, 23%). (NIS dates)

The analysis of **SMEs in the rural area** reflects the relatively reduced capacity thereof to meet the requirements regarding the availability of jobs for the rural population, both due to the small number, and to the structure by number of employees. At national level, there is noticed a powerfully asymmetrical distribution of the companies, a majority leverage of micro-enterprises – 94.45% and within such, especially, of the companies without employees (68.1% of the total unit registered). The majority are involved in commerce. The explanation of this phenomenon is based on low resources, a smaller period of investment salvage, low experience, abilities and skills. In this way is aimed to support micro-enterprises also in other fields, which could have a positive impact for rural economy. The enterprises that, theoretically, have a greater potential of job openings, those of small and medium size, are reduced in number, representing only 4.6%, the „small" companies (with 10 up to 49 employees) and 0.9% - in the „medium companies" category (with over 50 employees, but not more than 249).

There are still **strong disparities between urban and rural areas** with regard to the number of SMEs per 1,000 inhabitants. Thus, if cities have approximately 20 SMEs/1,000 inhabitants, the rural areas have only 9 SMEs/1,000 inhabitants. Thus, the national average is 17.5 SMEs/1,000 inhabitants, three times smaller than the European average, i.e. 52 SMEs/inhabitant (According to the rural area analyze). There are objective and subjective reasons for such situation. Thus, it is difficult, from an objective standpoint, to request for the establishment of SMEs in areas lacking the basic infrastructure (roads, water and sewage, etc.)

Agri tourism is considered to be a potential alternative activity that will continue to grow in rural areas, due to beautiful landscapes, a high share of semi natural lands, hospitality of rural people and preservation of rural traditions. The Romanian rural area is also reach on natural and historical amenities. However, the development of rural tourism is dependent on the presence of the necessary basic infrastructure and institutions to support tourism which in many places in Romania is still hampered by a lack of capital.

Today there are about **4,000 rural boarding houses** offering tourist services (bed and breakfast) of which 1965 unit are included in organized rural tourism network such as National Agency for Eco-Cultural Tourism. Only 1267 of this units are certified while the remaining units require some modernization in order to get the necessarily classification by the official certification organisms.

Regarding **external migration of rural labour,** the highest availability for departure was shown by seasonal workers, construction workers, mobile traders and, surprisingly, a recently retired category of persons, mostly women. They were the first Romanians to have travelled abroad in search of a job, eventually to start a business. The availability of these categories to migrate abroad is closely related to their relative autonomy vis-à-vis a production system and a permanent employment in their home country. Their mobility project has aimed and has succeeded to best reproduce a season of work abroad.

At the commune's level, another important predicator reveals the **effects of commuting** upon migration. Un-cantered commuting, even when it is small as a volume, produces more migration because of the larger number affected households. Centred commuting yields less international migration because, in fact, there are fewer

affected households and hence, a smaller number of migrants.

- **Population and services**

The **human capital** is a determinant issue of a region's development potential. Diversification of rural economy depends also on the level of education and the skills and qualification of rural labour. Although the improvement and maintenance of an adequate level of infrastructure is an essential key of a social and economical development of rural areas, the professional education is the engine, in order to reach development. **Education and training** are essential in helping rural communities cultivating performance in rural economy. As in the case of physical infrastructure visible discrepancies exists in social rural infrastructure. Although the number of schools in the rural area exceeds the population needs the quality of education is lower due to both education infrastructure and level of qualification of staff. Most of the schools need rehabilitations and building endowments, but also according to didactic needs. Although the improvement and maintenance of an adequate level of infrastructure is an essential key of a social and economical development of rural areas, the professional education is the engine, in order to reach development.

The **school units** in rural communes are generally poorly equipped in terms of physical and teaching material. IT technology is very scarce in rural school and equipment for vocational and apprenticeship education is obsolete or missing. Generally, the quality of rural education is lower than in towns due to difficulties in attracting the qualified teachers due to financial problems. This adds to the difficulty faced by rural students to progressing on to higher education, and as shown by the statistics, only between 1 to 3% of the rural population have a tertiary level education. Generally, the rural population education stops at the gymnasium level and will hardly find another job that unqualified manual worker.

The **rural educational infrastructure** diminished during the analyzed period 1998-2003 for the kindergarten education 47.7%; primary and secondary education – 38%; vocational education – 82%. As for the rural secondary schools, this type of education increased by 9% during this period.

In this sense according to the national statistics, the **rural schools** represent 69%, and the urban schools 31% in 2003 (NIS NUTS III). In the analyzed period the rural schools has decreased from 21 464 to 12 425 units, so with 58%, as a consequence of teachers lack, and pupils which weak school frequency on the one hand, and to the limited access and the large lengths, on the other hand.

In terms of **educational attainment**, only 1% of the rural population has a higher education compared with 9% in urban areas; more than 7% of the rural population has not completed any formal schooling compared with less than 2% in urban areas. Younger people are better educated that older age groups. The share of low educational level in the active rural population is 1.8 times higher than the respective share in total population. The education of rural population seems to deteriorate since that the formal education of the young generations aged 15-24 in rural areas has changed the structure in favour of low level compared to their parents' situation. The education system is rural area does not offer

opportunities equal to the education system in towns.

Regarding the **participation in the education system** or training of the individuals aged 25-64 in rural areas, it records an increase from 0.2% in 1998 to 0.3% in 2003. The education level (average or higher education) in rural areas for the same age group is of 52.1% in 2003 as against 46.3% in 1998. The participation rate of rural population to educational process is relatively low, as a consequence of a low level of incomes and access. The **regularity of incomes** as part as the household has a strong effect about participation to the educative act: The children from families of low-paid workers or of retired peoples are twice as much exhibited to the risk of not frequenting the school than the children from the households with a regular source of income.

The **differences in regions** regarding the education level match, in general the more substantial differences in the development level, with the lowest level in the South-East region, 46.4% in 2003. Both, the participation rate to the primary and medium level of education and also the modernization and development of the relevant infrastructure, represent basic necessities which will also be targeted by structural funds. For example, the differences between the rural and urban areas are smaller in the Centre area than in the North-East area with respect to the rural inhabitants graduating primary schools and the higher education graduates. The participation rate of rural population to educational process is relatively low, as a consequence of a low level of incomes and access. The differences in regions regarding the education level match, in general the more substantial differences in the development level, with the lowest level in the South-East region, 46.4% in 2003 (NIS-NUTS II).

Regarding to the **number of medical units** (clinics, hospitals) during 1998-2003 period, the general trend is descending, but even more so for rural areas. Thus, in 2003 there were only 1 626 medical units as against 4 428 in 1998 (NIS data).

Telecommunication nowadays covers telephones, cable TV, computers, and the Internet. The rural telecommunication infrastructure in Romania remains modest by all standards. The number of **post offices** reduced by 21.7%, during 1998-2003 (post, phoning, telegraphy), especially as a result of the upgraded and automated phone systems, replacing the old telephone exchanges.

In 2004, 10% of the population was internet users, and the distribution on ages and gender is the following:

- Men between 16-74 years -11%
- Women between 16-74 years -9%

Although district **heating** is very little used in rural areas – only 0.5% of the total district heating; this situation is inherited from the energy producing companies which distributed it to the neighbouring villages and which reduced their activity, or dropped the delivery of these services altogether.

Electric power supply is the only public utility that covers the whole rural area. The power supply coverage has increased recently from 96.4% to 98.5% following a public

electrification programme and only the remote households in sparsely populated areas are not all connected to the power supply network.

An important component of rural life is the **cultural life**, field which may contribute significantly to the attractiveness if the village for younger populations. The means by which rural areas receive culture by: community centres, libraries, cinema halls, radio and TV broadcasts. The current situation of community centres shows a decline in both numbers and quality. Out of the total of 6 147 community centres in 2002, only 1874 had cultural activities, and the others (more than 2/3), had only non-specific activities. Although most of the community centres (about 97%) have their own spaces, 82% of them are not properly endowed. (NIS data)

The situation of **libraries** is more or less the same as in other areas of cultural life in the villages. From the whole libraries just a small part are unrolling adequate activities.

The **diversification of economic activities** in rural areas is fully linked with the development of an adequate commercial network. Therefore, shopping centres must be established in order to give the population access to the necessary products, especially non-food, and to provide a market for the sale of local products, especially wood, wool, crafts, pottery etc. The development and diversification of this type of trade also provides more value added to the local products, as well as less travel and costs for the population to meet their needs.

It is well known that the **banking sector** is still not yet much interested to finance rural business. Rural businesses are generally seen as high-risk customers y the banking sector and therefore are faced with high collateral demands and financing costs for loans. There also appear to be a tendency for the banking sector to reduce its activity in rural areas due to low profitability. These problems aggravate the financing situation for rural economic operators and as a consequence hamper the economic development in rural areas.

1.4 SWOT and objectives

Area	Strengths	Weaknesses	Opportunities	Threats	Strategic Objectives
COMPETITIVENESS OF AGRICULTURE AND FORESTERY					
Agriculture	**Human resources**: Low labour costs and young labour force on the labour market	Low education level among the family farmers population	Opportunity of ESF utilisation for professional training in agriculture	Deficit of attractiveness of rural area	**To improve the skills of the farmers and persons relating to the forestry sectors allowing a better management of the agricultural holdings, and forest and assuring a "decent phasing out" of subsistence farmers**
	Structure of farms Existing commercial farms	High structure costs in small sized farms due to land fragmentation	leasing, legislative and financial incitation	disappearance of small producers	**To improve the competitiveness of commercial and semi subsistence farmers**
	Financial resources national fund for investment in agriculture, leasing in subsistence farms	Difficult access to credits and collaterals, very high notary fees	Complementary National Direct Payments, leasing offers by equipment firms	Incapacity to invest for modernisation	
	Productions Large land resource, local traditional products and know how, low level of chemicals	Low yields, low productivity, low number of contracts with industry	Increase of purchasing power in urban area, interest for traditional and natural product in EU perspectives of innovation linked to non-food uses	SAPS and CNDP's reductions resulting from 'cross-compliance'	
	Organisation Existing structures	attitude of farmers towards group- or co-operative actions	EU rules encouraging producers groups, traceability and GAEC, Private-public cooperation	Delay and difficulty to access to new markets, due to lack of organisation	
Food industry	Existing dynamics and market (alcohol, sweet and pastry, local productions)	Lacking conformity with the European standards and ISO framework	Complementarities with EFRD strategy to support second transformation	High cost for meeting and compliance with the European standards	**To restructure and to modernise the processing**

Forestry	Valuable forest resources, high level of legislative protection	Improperly management of woodwork	Existence of important market and potentials	Illegal exploitation of the forest resources	**and marketing sectors for agriculture and forestry products**
Area	**Strengths**	**Weaknesses**	**Opportunities**	**Threats**	**Strategic Objectives**
ENVIRONNEMENT AND NATURAL RESOURCES					
Utilization of the territory and general aspects	• Traditionally extensive farming practices • Increasing awareness at decision making level for the need to apply environmental protection policies and action plans • Significant tourist potential	• Large areas affected by different limitative natural factors. • Lack of important basic indicators • Limited administative capacity to implement the legislation in environmental and land management sector, especially at regional and local level.	• Maintenance of traditional extensive practices • Use of lessons learned from the past EU programs • Improving the conditions for agro-tourism	• Development of the rural areas without considering possible effects on the environment and biodiversity (for example because of the lack of farm standards) • Risks to loose valuable traditional landscapes	**To ensure the continuous sustainable use of agricultural land**
Biodiversity	• High variety and richness of biodiversity (including many endemic species). • Presence of high natural value farmland connected with traditional farming practices • Existence of the National Protected Areas Network as a functional system.	• Pressure on high nature value farmland due to human factors (e.g. abandonment or intensification) • Low level of knowledge on environmentally friendly management • Lack of important basic indicators • limited number of management plans for protected areas (NATURA 2000)	• Acceptance of international environmental objectives (WDF, Gothenburg protocol) • Implementation of the partnership principle in decision making process in environmental protection sector • Developing Public Private Partnerships • Maintenance of high biodiversity level of rural areas, contributing to high natural and tourist value of rural landscape	• Potential Drop of the biodiversity in agricultural and forestry areas • Low financial capacity of farmers to achieve environmental protection • Increased pressure on the biodiversity in connection with economic growth	**To preserve and to improve the state of the natural habitats and resources** .

Area	Strengths	Weaknesses	Opportunities	Threats	Strategic Objectives
ENVIRONNEMENT AND NATURAL RESOURCES					
Water	• Low chemical inputs from agricultural sources • Presence of important ecological site i.e : Danube Delta	• Low access of the population to centralized water and waste systems • Low quality of drinking water supplied to population in many areas • Presence of nitrate vulnerable zones where farming activities are active sources • Pollution sources often located near water courses. • Areas with high risk of floods. • Lack of important basic indicators	• Improving the access of the rural population to centralized water and waste systems in order to meet EU standards • Maintaining the low inputs of chemicals from agriculture will protect water resources • Cross border strategies in order to protect water resources.	• Continuous pollution of water because of the non-existent waste water facilities • Possible floods on areas with high intensive farming	**To preserve and to improve the state of the natural habitats and resources**
Soil	▪ Small soil pollution and relatively good environmental conditions ▪ No nitrogen excess was identified on large areas.	▪ Significant areas at risk of soil erosion ▪ ▪ Degradation areas which experiences severe salinity, aridity, severe acidity, extreme texture conditions, water excess, fast drainage, were identified on large scale which requires special techniques and machineries	▪ The increasing demand for high-quality foodstuffs and bio-products.	▪ Non-rational agricultural management leading to the increase in soil pollution ▪ Increase of chemical fertilisers to compensate poor soil productivity	**To preserve and to improve the state of the natural habitats and resources**

Area	Strengths	Weaknesses	Opportunities	Threats	Strategic Objectives
ENVIRONNEMENT AND NATURAL RESOURCES					
Air quality	▪ Romania is meeting the requirements related to GHG emissions established for 2012 trough the Kyoto protocol and the Gothenburg objectives for 2010	▪ Existence of ammonia emissions from farming activities ▪ Lack of agriculture contribution to production of renewable energies	▪ Use of renewable energy from biomass and waste	▪ Climate change ▪ Gothenburg requirements for 2020 are not accomplished.	**To preserve and to improve the state of the natural habitats and resources**
Forestry area	• Important forestry area contributing to limit the GHG impact, the erosion and to maintain the biodiversity • Great diversity of species	• Insufficiently controlled forest surface • Over-exploitation of old forest	• Social recognition of the multifunctionality of the forest • Increase of forests value through certification process.	• Illegal exploitation of the forest resources • Natural risks	**To promote the sustainable management of the forest land**
Area	**Strengths**	**Weaknesses**	**Opportunities**	**Threats**	**Strategic Objectives**
DEVELOPPEMENT OF RURAL AREAS					
Economic activities	Human resources in rural area	low level of qualification of the population	Improvement of infrastructures and increase of standards of living	Urban and trans-border migration	**To maintain and to develop the economic activities aiming at increasing the employment**
Population, services, and infrastructures	Quality of the rural heritage	Underdeveloped infrastructures in rural areas compared to urban area	Synergies between existing plans for rural development (EFRD, EAFRD, National and local plans)	Difficulty to implant economic activities if the level of infrastructure remains weak	**To increase the attractiveness of the rural areas**
Local development	Lot of structures (association, NGO…) leading local development project	Lack of skills, lack of financial resources	Social and economical dynamics linked to the mutation of territories	Incapacity to promote the endogenous potential of the territories	**To develop the skills and to support the organisation of the actors around projects of territory**

The SWOT analysis shows that issues linked to rural development are important and strategic for the future. Among the most preoccupying threats, one can figure out rural unemployment, poverty and urban migration that could occur as consequences of the mutation of the agricultural sector. However; endogenous human and economic potential

may provide the resources to resist to those tendencies. Thus, an adapted and strategically oriented use of EAFRD appears essential to ensure a sustainable development of rural areas.

2. Overall strategy, translation of Community priorities and establishing national priorities

2.1 The strategy and its global balance

The rural development policy co-financed by the European Agricultural Fond for Rural Development (EAFRD) is designed to accompany the support policy of pillar 1 of the Common Agricultural Policy (CAP) providing a basic income support for farmers. The 2nd pillar supports agriculture and forestry sectors as a provider of public goods in environmental and rural areas in their development against the background of the European strategies priorities as conclusion of Lisbon and Gothenburg committees.

As Romania moves into the EU market, the emphasis of the past on increasing production needs to be removed in favour of any emphasis on competitiveness. Therefore, efforts have to be made in order to integrate EU-CAP with Romanian national program. Until today specific support is offered to farmers e.g. the Farmer programme, the life annuity, and the SAPARD programme. In order to pursue a sustainable economic, environmental and social development of rural Romania and given the open trade environment that prevails generally and the trade goals of EU accession in particular, Romanian rural development policy will have to make an adjustment away from increasing production only toward competitiveness.

Overall objective:

The rural development policy aims at increasing the economic dynamism of Romanian rural area while as maintaining the social dynamism, sustainable agriculture and ensuring the preservation and consolidation of natural resources.

The strategic indicators for the overall objective are presented in chapter 3.5.

Strategic objectives:

To give answers to these objectives and against the background of the given local and regional economic situation Romania will foresee:

- Up to 45 % of the financial means of EAFRD to the improvement of the competitiveness of the agricultural and forestry sector (axe 1) in order:
  - To improve the skills of the farmers and persons relating to the forestry sectors allowing a better management of the agricultural holdings, and forests and assuring a 'decent phasing out' of subsistence farmers
  - To improve the competitiveness of commercial and semi-subsistence farmers
  - To restructure and to modernise the processing and marketing sectors for agricultural and forestry products.

The realization of these strategic objectives will allow the gradual evolution towards a competitive agriculture and forestry sector and food and wooden processing, valorising the opportunities of the common market and the opening towards the world market, thus changing notably within agriculture sector a certain number of the subsistence farms into semi-subsistence holdings producing partly for the market and modernizing the commercial agriculture represented by full-time family farms and larger enterprises in the form of LAG holdings.

Within Axis 1 and concerning the agriculture sector the measures aiming to sustain the transformation of semi-subsistence farms into family holdings delivering the products to the market will be structured within a group, by encouraging farmers and forest holders in

particular to employ methods of land use compatible with the need to preserve the natural environment and landscape and protect and improve natural resources.

The modernization process of the agri-food and the forestry sector will be continued by adjusting it to the sanitary and environment requirements and by modernizing the processing capacities. The objective will be to increase the competitiveness of economic agents within the agri-food and forestry sectors by training and organising, modernizing and adapting the production to the market requirements, emphasizing on quality, improving performance in the environmental protection, occupational safety and by targeting small and medium-enterprises which are better placed to add value to local products, while simplifying the conditions for investment aid as compared. Furthermore, the agri-food sector will be strengthened by introducing technical progress and innovations via investments in physical capital of the enterprises. In this way, the quality of products will be increased; non polluting technologies will be introduced ensuring the quality of food valorising and particularly of the traditional end ecological products.

- 25 % improving the environment and the rural areas trough the sustainable use of agricultural and forestry land (axis 2). This financial means will contribute:
  - To ensure the continuous use of agricultural land,
  - To preserve and to improve the state of the natural habitats and resources
  - To promote the sustainable management of the forest land.

The realization of these strategic objectives will assure a sustainable symbiosis between economic and social activity in rural area, and the natural habitat, by remunerating the environment services provided by agriculture and by compensating the loss of revenue in agricultural activity caused by unfavourable production conditions.

Within Axis 2, the accelerate modernization process of the agriculture (specific to the post-transition period) should not be done to the detriment of preserving the environment. The focus will be upon the less favoured areas which will benefit of financial compensations for maintaining the continuous use of agricultural land as a factor of preserving the landscape and environment. Of a high importance is also the support for farming practices which will promote biodiversity, protection of water, soil, and air. Within the same axis, some measures will be encouraged such as measures for increasing the environment value of lands by afforestation and agro forestry with positive impact on tackling climate change and improving the environmental conditions and on the prevention of national disasters such as flooding and drought.

- 30 % to quality of life in rural areas and rural economy diversification (axis 3) in order to:
  - To maintain and to develop the economic activities aiming at increasing the employment,
  - to increase the attractiveness of the rural areas, and
  - to develop the skills and to support the organisation of the actors around projects of territory.

The measures financed within Axis 3 are meant to create proper conditions for dynamising the non-agricultural business environment and developing the rural infrastructure and social services and the vocational training opportunities for the population.

The increase of the social and tourist value (hedonistic value) of rural area will be insured by emphasizing the material and immaterial traditions within these areas.

- At least 2.5 % (2010-2013) to start and operate local initiatives via Leader (axis 4).

- To promote the endogenous potential of the territories
- To improve the local governance

The realization of these strategic objectives will support the emancipation of the rural population and the enhancement of the local diversity aiming to make more attractive the rural area.

2.2 Relation to the national priorities

- ***Credit policy for the farmers and companies in rural areas, especially for the middle class***

As a continuation of the "Farmer" Program, there will be a facility for the access to investment loans of farmers and entrepreneurs in the rural areas. Thus, for the access to investment and development loans for semi-subsistence farms and for the small rural entrepreneurs, the policy would be for the setting up of mutual Houses of Rural Credits, at the level of local communities, to be ultimately structured and coordinated as part of the National House of Rural Credits. This program for facilitating the access to credits for investment, is a policy of providing private matching funds for the access of beneficiaries to projects funded as part of the NRDP.

- ***Life Annuity***

The Life Annuity Program will be continued in order to speed up the merging of agricultural land of the elderly farmers, who decide to drop farming production in favour of the young farmers. The national program could be correlated with the Early Retirement measure in the NRDP, and the necessary legal framework will be created in order to pass from the Annuity to the Retirement and Early Retirement of farmers. The program could also be correlated with the measure on the Setting up of Young Farmers, thus facilitating the access of young farmers to establishing or taking over agricultural land thus freed as a result of the annuity and the early retirement.

- ***Cadastre and land merging***

The process of land restitution to the former owners is in process of finalization, and it will be continued with the intensification of the agricultural land cadastre and the merging of agricultural land plots. The funding for this program will be secured from the financial resources of the World Bank. After the cadastre is set up, the agricultural land may be used as collateral for bank loans, thus liberalizing the land market; in this way the land merging and farm creating will be based on market requirements. This activity will be harmonized with the NRDP measures on the transformation of semi-subsistence farms in market-oriented family-owned farms and the setting up of young farmers – early retirement.

- ***Improvement of the genetic quality of cattle***

The program of improving the genetic quality of cattle will continue, especially in small and medium-sized farms, where mixed breeds are prevalent at the moment. The program also envisages the improvement of milk quality, economic performances and making family-owned farms more viable. The main object of this program is not to increase the number of cattle raised (which would not be economically logical as the milk quotas will be introduced), but to improve the quality and economic performance of the cattle by replacing the mixed breeds with milk or meat producers, in parallel with maintaining or reducing the number of cattle.

The program will be correlated with the implementation of the milk quota and granting of the direct complementary national payments to cattle raisers, as well as the measures for the modernization of agricultural holdings included in the NRDP; the aim of the program will be that of improving the quality of cow milk (of unfit quality in Romania at the

moment) as well as the transformation of semi-subsistence dairy farms (the majority producers) in farms producing milk for the market, with the provision of the necessary economic performance and production quality.

- ***Support and development of the consulting capacity for rural agriculture and economy***

In order to increase the quality and coverage of consulting topics for agriculture and the countryside, there will be financial support provided for the setting up of Agriculture and Rural Chambers based on the frame of the current state services (County Offices for Agricultural Consulting) as well as for the strengthening of private consulting services in line with the specific requirements of the subsistence, semi-subsistence and family-owned farms. This program, funded by a loan from the World Bank, has in view the setting up of consulting capacities for the implementation of the NRDP measures which refer to the transformation of semi-subsistence farms in market-oriented family-owned farms.

- ***Upgrading of the primary irrigation networks and associative organization for its operation***

This will be supported by the continuous upgrading of the primary irrigation network in the plain areas, in parallel with the increase in the number of associations of water-users. This upgrading is necessary in order to improve the efficiency of the current network, which is energy intensive and outdated, especially in the agricultural areas of high potential for vegetable production. This program is meant to contribute to the grouping of lots and increased economic efficiency in their operation, also through the associations of water-users.

2.3 Experience gained from SAPARD

. The Special Accession Programme for Agriculture and Rural Development (SAPARD) provides grant support for investments in agriculture, food processing and rural development. The SAPARD has provided significant resources to the rural sector, but it has not met expectations with respect to the tremendous development challenge of Romania's agricultural sector. Investment support for farmers is a minor component of the current support program. Furthermore, these funds are accessed mainly by legal entities that are able to cover the remainder of the costs from other sources.

Other issues contributing to the underperformance of the program include the following:

- Program design has been only partially adjusted to meet sectoral needs.
- Access to information about funding schemes remains restricted in rural areas.
- Rural entrepreneurs are unable to comply with the complex and bureaucratic application procedures.
- Rural entrepreneurs have restricted access to the required sources of pre-financing and co-financing.
- Small farmers and small-scale rural entrepreneurs are virtually excluded from the program.

As foreseen in the general conception of the program, SAPARD does not involve any advance payments, it reimburses expenditure already made. Thus financing the investment requires 100 percent pre-financing by the investor, who is then reimbursed (upon proof of the expenses) by the SAPARD agency. This need to pre-finance the investments led to the consequence, that mostly already 'better off' beneficiaries prepared applications for investments.

Hence, the financial system needs to be upgraded to meet the changing needs of the rural population. Banks and non-bank institutions have made modest progress in recent years in increasing financial flows and outreach to rural borrowers, and NGOs have successfully entered the field. But rural credit remains inadequate. Consequently, the government offered investment and development loans for semi-subsistence farms and for the small rural entrepreneurs.

In this and other ways, the rural banking sector needs to be strengthened to meet these needs. The existence of SAPARD grant funds and the need for bank financing of SAPARD-approved farm and agro-industrial projects has raised the demand for rural bank lending and leasing by providers of machinery and other inputs. Thus, leasing rates transferring the property to the beneficiary, (which means the final payment of terminal value of the leased asset), will be eligible.

Other problems emerging from SAPARD include the need to

- strengthen legal institutions, which are still unable to adequately enforce existing collateral laws,
- develop non-bank sources of finance, including reduction of tax constraints on equipment leasing firms,
- support expansion and regulation microfinance institutions serving rural clients,
- support the development of private risk management tools in rural areas, and
- include SAPARD financed water supply and wastewater management in rural areas in the SOP 'Environment' of the Cohesion Fund and avoid managing it separately under the SAPARD Agency. Especially for wastewater, there is a high risk that investments not integrated in regional development plans and their priorities only have a very limited environmental impact with high specific cost which endangers the sustainability of investments.

2.4 Relation to the Lisbon and Gothenburg strategy

The strategy of Lisbon aims renewing the bases of European competitiveness, increasing its growth potential like its productivity and at reinforcing social cohesion in focusing mainly on knowledge, the innovation and the valorisation of the human capital.

The policy of rural development co-financed by the European Union will fit fully in this strategy. By supporting the investments it will develop the productivity. By encouraging the support dedicated to the setting up of the micro-enterprises or services, social cohesion will be reinforced by growth and employment. By supporting the structural changes in rural areas, the economic actors belonging to the primary sector, secondary or tertiary with investment and training the policy will enhance the human competences.

Thus the policy of rural development will support the growth and the employment based on an increasing competitiveness, the valorisation of the human resources and the sustainable development, as defined in Lisbon in 2000 and Gothenburg in 2001, and reaffirmed at the time of the European Council of Brussels the 22, and 23 March 2005.

The strategy is in line with Gothenburg objectives, especially by the support of the activity in LFA, by encouraging environment protection, sustainable systems for farm

management and creation of sustainable jobs, which will assist to a stable rural area.

2.5 Relation to Community priorities

			European union – Community strategic guidelines (CSG)			
			CSG 1	**CSG 2**	**CSG 3**	**CSG 4**
			- transfer of knowledge - modernisation, innovation and quality in the food chain - priority sectors	- biodiversity - safeguarding and development of the agricultural and forestry systems with high natural value and of the traditional agricultural landscapes - water - climatic change	creation of condition and employment opportunities for the growth	- to improve the governorship - to mobilise the endogenous potential of development of the rural zones
ROMANIA- national strategy of rural development	**Axe**	**Strategic objectives**				
	1	SO 1: To improve the skills of the farmers and persons relating to the forestry sectors allowing a better management of the agricultural holdings, and forests and assuring a "decent phasing out" of subsistence farmers	**X**	the training/diffusion will contribute to the improvement of the practises in regard of environment issues	contribute to employability of people leaving farms	contribute to integrate the farmers in the local governance
		SO 2: To improve the competitiveness of commercial and semi-subsistence farmers	**X**		maintain employment in rural zones	
		SO 3: To restructure and to modernise the processing and marketing sectors for agriculture and forestry products	Modernisation and innovation is source of added value		Competitiveness of processing unit and increase the employment	
	2	SO 4 To ensure the continuous sustainable use of agricultural land		Landscape preservation, biodiversity, the existence of certain valuable natural habitats would not be possible without preserving the countryside	Leads to increase in attractiveness (tourism), quality of life (improvement of water quality, quality of environment and landscape), services provided to residents (e.g. water and sewage management system) – environmental impact	Environmental services, landscape protection and traditional organic products offers opportunities for local communities
		SO 5: To preserve and to improve the state of the natural habitats and resources .	Support for sustainable farming practices facilitates a better transfer of knowledge and offers better quality for basic food products	Landscape preservation, biodiversity, sustainable farming practices are a key element in order to preserve and improve the state of the natural resources, to maintain the high natural value farmland and the protected areas.		
		SO 6: To promote the sustainable management of the forest land		Landscape preservation, biodiversity; water and climate changes		
	3	SO 7: To maintain and to develop the economic activities aiming at increasing the employment	Increasing the non agricultural income will consolidate the semi-subsistence farms	Handcrafts and renewable energy activities will positively contribute to climate change	Developing non agriculture activities in farms and creation job within micro enterprises	
		SO 8: To increase the attractiveness of the rural areas		With a special support on the infrastructure respecting the environment priorities	Creating services for the population and economic activities.	
		SO 9: To develop the skills and to support the organisation of the actors around projects of territory		Training will contribute to improve the environmental awareness	X	Create the basis for partnerships
	4	SO 10: To promote the endogenous potential of the territories	Increasing the number of projects		Increasing the engineering capacity and contribute to increase the employment	X
		SO 11: To improve the local governance				X

This general approach within the axes will enable the following operations:

- Assuring the continuity of the reforms launched in 2005 for modernizing the agricultural and the agri-food sectors (e.g. the Farmer programme, the life annuity, the SAPARD programme)
- Putting in practice the strategic and operational experience related to the implementation of the SAPARD programme
- Sustaining the ascending trend of the structural development of agriculture (through the investments programmes, the access to long-term bank credits, etc.) and forestry (National strategic plan); thus, the economy for agricultural and forestry primary production could pass to another qualitative stage
- Assuring the added value of agricultural and forestry production, thus complying with the requirements of the common market in terms of preserving the consumer's health, the environment and the economic competitiveness.
- Creating the necessary conditions to avoid difficult human and social problems that could result from population migration from rural areas to city areas.
- Supporting positive dynamics in rural areas, base on encouragement to economic activities creation, aiming to increase employment

3. Strategy as divided into axes, including quantity objectives, intentions and indicators applied

3.1 Axe 1: Improving the competitiveness of the agricultural and forestry sectors

The improvement of the competitiveness of agricultural, forestry and food processing enterprises will be articulated around three strategic objectives (SO). Each of these objectives will be broken down in specific objectives based on one or more measures proposed by the regulations (EC) 1698/2005.

SAPARD experience has shown that mostly bigger farms were presenting applications. Thus, the implementation of axis 1 measures may create a situation in which already well performing bigger farms will be once again beneficiaries of most support schemes, although the government intends to facilitate the uptake of the program by small and medium-size farms. The functional table on the next page shows in which way the national policy for axis 1 measures will be oriented towards the five categories of Romanian farms, described in chapter 1.

SO 1: 'To improve the skills of the farmers and persons relating to the forestry sector allowing a better management of the agricultural holdings, and forests and assuring a "decent phasing out" of subsistence farmers'

The measures under **'human resources'** transferring know how have to be organised according to the needs of the different categories of farmers and foresters:

The commercial farmers, the semi-subsistence farmers and the foresters targeted within the second strategic objective of this axis and participating actively in the market have to adapt their production according to the demands of the market, according to the requirements of efficiency, and respecting the various farm and forest standards. The present low level of qualification makes it necessary to improve and intensify **vocational training** and permanent information actions. Furthermore, the adaptation of the production to the demand needs permanent synergies between the professional actors around the alimentation chains, requiring collective organisations, such as producers groups. The community support will allow setting up and developing integrated actions linked to the needs and realities of the different regions.

The adoption of the CAP is likely to trigger uneven transformation in the Romanian agricultural sector. Given its highly dualistic structure, unequal effects may be anticipated, resulting in an increase in the existing disparities. The majority of the agricultural **subsistence holdings** will reach only limited benefits.

Table 2

'Starting points for a Romanian competitiveness-policy for the period 2007 – 2013'

Type of holdings to support in the period 2007 - 2013	Know how	Income / Capital	Market
1. Subsistence farmers • **2 – 3 mio subs. farms** • **1 mio ha UAA** • **2 mio households**	- Socio-economic family counselling (see Annexes) - Knowing their surrounding - Let them in peace, if they want it	- Grants for renewal of farm houses - Early retirement payments - Lease rent for land - Agro tourism	- occasional harvesting, collecting and selling at farm gate level - Place and recognition in the village
2. Semi-subsistence farmers • **100.000 farms** • **0.5 mio ha** • **100.000 LU**	- Agronomic and economic advice GAEC, standards and specialisation - Direct marketing (niche products) - Co-operative actions	- Semi-subsistence aid - Young farmers premium - Investment aid with higher grant rates and lower ceiling - Grants for renewal of farm house	- Local markets - Member of producer group - Specialisation ('regional products) and quality - Participation in LAGs activities of Leader
3. Part-time farmers • **1 mio part. Fa.** • **2 mio ha UAA** • **'moon light' or weekend occupation**	- Professional know in main occupation outside agriculture (ESF training) - GAEC and standards - Information CAP	- Income from outside occupation - Farm income - SAPS and premiums - agro tourism	- Local (or external) labour market - Place in the village
4. Full-time family holdings • **100.000 farms** • **3 mio ha** • **120.000 LU**	Professional extension service Free lanced counselling - Product advice from input companies - Tax advisors	- Farm income - SAPS and premiums - Young farmer premium - Grants to cover the last lease rent for machinery investments - Grants for the renewal of farmhouse -State guaranties for credits	- Member of CUMA - Member of producer group - Member of producer group - Specialisation ('regional products) and quality - Participation in LAGs activities of Leader
5. Farm- enterprises with legal personality, oftentimes with shareholders living outside the farm location • **25.000 farms** • **7 mio ha** • **170.000 LU**	- Professional extension service - - Free lanced counselling - Product advice from input companies - Tax advisors - 'IT management'	- Farm income - SAPS - Conditioned CNDPs - Investment aid (higher ceiling, lower grant rate)	- (Indirect) beneficiary of CMOs - 'Contract farming' - Storage capacities and spot-marketing - Processing and direct marketing if location allows it

As other countries experience suggests, the capital intensity on bigger farms will boost in the years to come, particularly in corporate agriculture with shareholders outside the location of the farm. A very probable scenario is that the newly created non-agricultural jobs will not be sufficient to absorb the workforce thus released. Hence, one can expect an increase in the rural unemployment, which may also be accompanied by rural exodus to nearby cities or even abroad. Early retirement support might help to ease this situation. Experience shows that this offer needs time and solid advice to become an effective instrument to stimulate farmers and to release land for farm consolidation of family farms or young farmers. Considering all these, the need arises for targeted intervention to alleviate the impact of these changes. In particular, **socio-economic advisory services** may both help farmers to better understand and adapt to these transformations and guide them to tailor-made solutions.

The support for farmers (including organic farming) will contribute to the conservation of the natural resources in coherence with market strategies developed for these products through axis 1.

Considering the threat of climate changes, the demand for renewable energy sources may be an opportunity for agriculture. Support shall target mostly the bio crops production and the biomass obtained from waste. To contribute to the effectiveness of these objectives, training formation through axis 1 will help farmers to improve their environmental skills.

SO 2: 'To improve the competitiveness of commercial and semi-subsistence farmers and processing and forestry enterprises'

The support of investments under **"physical capital"** will be conceived in a way not only to introduce technical progress, to reduce production costs and rationalize production processes but also to introduce hygiene- and work-security standards. The degree of State support should be generally as low as possible whilst assuring the achievement of the objectives. Against the background of the polarity of the agricultural structure and the enormous differences in the economies of scale it is envisaged to give smaller farms higher rates of grant and lower ceilings and to provide bigger farmers with lower rates of grant and higher ceilings. For the semi-subsistence farmers, which might develop into full-time family farms, a 'support-package' will be available containing the semi-subsistence-premium, access to investment in agricultural holdings, professional advice for production and investment matters paid to 100 % by public means and 'privileged' membership in producer groups. An improved infrastructure will stabilize these investments and make them more profitable. It has to correspond to the local and regional requirements, but should be reserved in a first time to regions of immediate high potential for agricultural growth, for example the support of the construction of feeder roads.

SO 3: 'To restructure and to modernise the processing and marketing sectors for agricultural and forestry products'

The development of the **'processing – marketing chain'** for agricultural and forestry products has to be based on the changing demand of the consumers' purchasing power resulting in the demand for well processed products. Against this background domestic investment should be encouraged in small and medium-size processing enterprises in rural areas. In this sense, food and forest processing is an ideal complement to the agricultural and forestry activities of the rural population. In addition to augmenting the income of entrepreneur families, this activity will generate local jobs. Therefore, these policies will be part of a general forward- looking rural development strategy. Consequently, the criteria for the selection of processing plants should include both commercial and public expenditure criteria and allow higher rates of support for strategically situated plants, such as a single dairy plant serving a remote region. The policies will be prepared in form of commodity oriented plans for the most important commodities meat, milk and fruits and vegetables. The setting-up of producer groups will help to offer high quality products in adequate quantities and in the required time span to the processing- and marketing units

Based on these objectives the balance of priorities within this axis will be the following, from 50 to 70% dedicated to the modernisation and to the consolidation of farms, from 10 to 20% to the acquisition of skills and from 20 to 30% to enhance the forestry and agri-food product chains.

Strategic objectives	Specific objectives	EAFRD measures	Indicative balance between the priorities
To improve the skills of the farmers and persons relating to the forestry sectors allowing a better management of the agricultural holdings, and forests and assuring a 'decent phasing out' of subsistence farmers	To support farmers and persons relating to forestry sector to adapt their structure to the new context	**111 Vocational training and information actions** 112 Setting up Young farmers **114 Use advisory services** 142 Producer groups	Acquisition of skills 10 to 20 %
To improve the competitiveness of commercial and semi-subsistence farmers	To encourage the semi-subsistence farms to move into the market	**112 Setting up Young farmers** **113 Early retirement** 114 Use advisory services 121 Modernisation of agricultural holdings **141 Semi-subsistence farming** **142 Producer groups**	To restructure and to modernise the farms 50 to 70%
	To modernise the farms holding	**121 Modernisation of agricultural holdings**	
	To enhance the adaptation of the farms to their economic and physical environment	**125 Infrastructure related to the development and adaptation of agriculture and forestry**	
To restructure and to modernise the processing and marketing sectors for agriculture and forestry products	To support the agri-food industry	111 Vocational training and information actions **123 Adding value to agricultural and forestry products** 142 Producer groups	To enhance the forestry and agri-food product 20 to 30 %
	To improve and to enhance the forestry product	**122 Improvement of the economic value of forests** **123 Adding value to agricultural and forestry products** **125** Infrastructure related to the development and adaptation of agriculture and forestry	

3.2 Axis 2: Improving the environment and the countryside

Measures under Axis II are focused on the support for environmentally friendly farming practices within the rural areas on preserving the biodiversity on water and soil protection, and on tackling the climate change. These measures will be articulated around three strategic objectives. Each of these objectives will be break downed in specific objectives based on one or more measures proposed by the regulations (EC) 1698/2005.

The priority is to keep the natural environment in a good shape in the whole country, and it is necessary to undertake support, e.g. in the form of agri-environmental programme (25% of the funds allocated for the axis). Hence, a combination of advisory and information measures, statutory measures, agri-environmental measures and voluntary cooperation (e.g. with water management) will also be necessary in the future.

Specific agri-environmental and forest-environmental measures should carry out in specific areas.

SO 4: 'To ensure the continuous sustainable use of agricultural land'

The preservation and environmental welfare of rural areas is strongly connected with maintaining the continuous land use in the areas where natural conditions are less favourable for farming and with maintenance of good condition of the natural resources. Romania has to deal with important spatial discrepancies regarding the agricultural production, which motivates the support for less-favoured areas (50 to 65 %).

The inundations of the last years have shown the need for the implementation of a forward looking protection against floods by improvements of the economic, environmental, ecological and conservations status in the most vulnerable flood areas.

SO 5: 'To preserve and to improve the state of the natural habitats and resources'

Environmentally sensitive areas including the high nature value (HNV) farmland and the important habitats shall generally include the network-sites Natura 2000, national protected areas, the sites with prime importance for nature protection and especially pastures and the relevant sites of the Water Framework Directive. These farmlands are important from this point of view, since they cover with 47 % today a relatively large proportion of the UAA in Romania. Support for maintaining these areas in good environmental conditions, together with a similar emphasis on the reduction of agriculture pollution on water resources and actions taken for soil conservation, will be subject of agri-environmental schemes (35 to 40 %). The compensatory payments are to be coordinated with the agri-environmental measures (SO 4) to exploit synergies and to preclude over-compensation.

SO 6: 'To promote the sustainable management of the forest land'

This strategic objective will contribute to the prevention of the natural

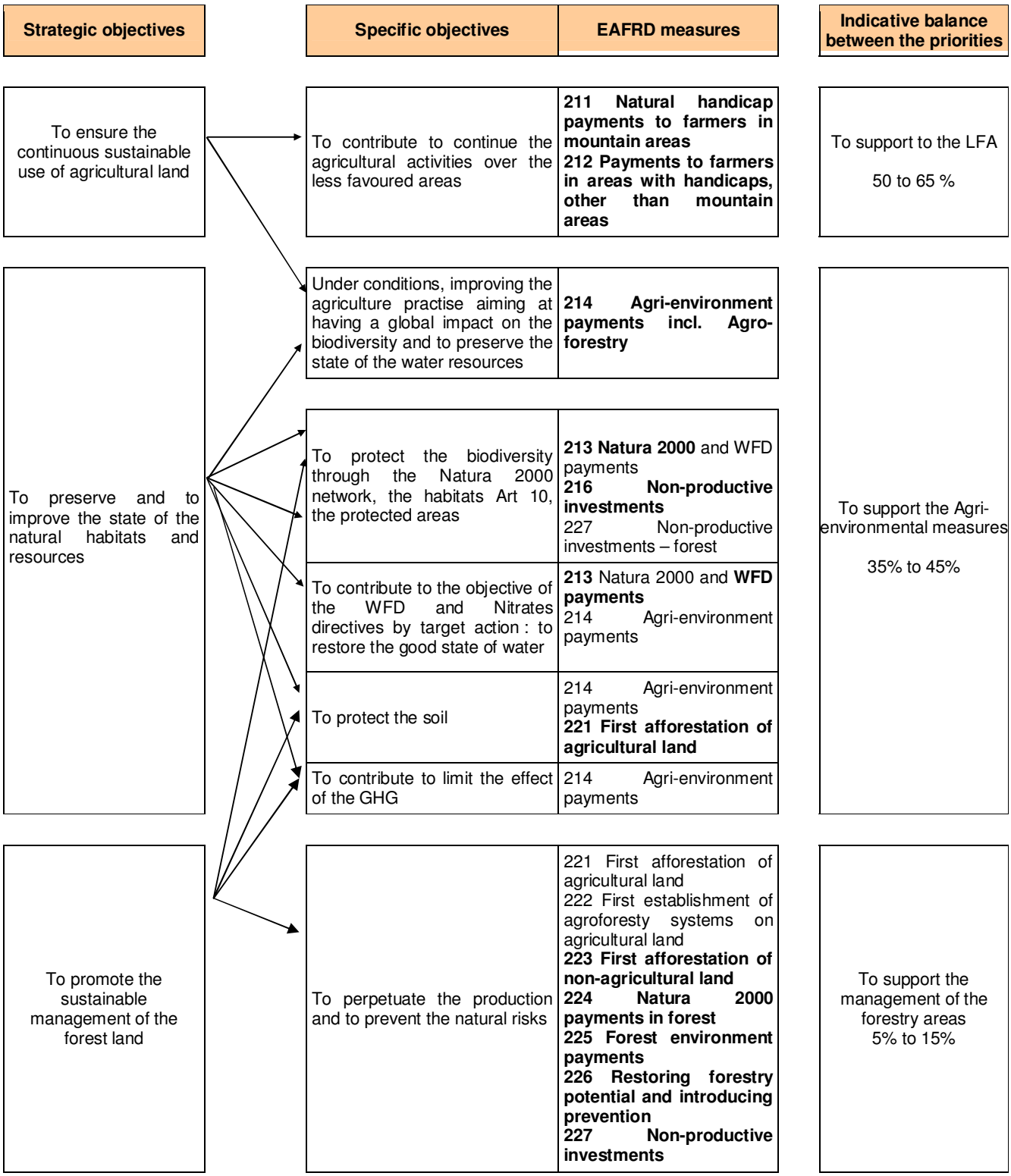
disasters, such as flooding, drought, forest fires. Moreover it will contribute also to reduce the greenhouse gases emissions in order to tackle the climate change. Afforestation, together with the development of environmentally friendly forest management practise, will play a key role in these struggles and will increase the sustainability of the rural economy. Afforestation-measures will be correlated in terms of ecology and nature protection.

Specific agri-environmental measures, emphasised agri-forestry measures which are relevant to the farmed landscape can be implemented in all areas.

The measures of forestry areas have also to respect the specific rules for the NATURA 2000 network. Compensatory payments can be made for wooded land for specific environmental restrictions to achieve the objectives of Natura 2000.

Support for less favourite areas can be an accessible instrument for farmers as well as an important tool to maintain the countryside. However, agri-environmental schemes together with the support for Natura 2000 are important for preserving natural resources, habitats and species. Therefore, attention shall be paid for further development of these instruments.

The break-down into specific objectives and EAFRD-measures and the proposed indicative balance of priorities is shown in the following schema.


Strategic objectives
Specific objectives
EAFRD measures
Indicative balance between the priorities
To ensure the continuous sustainable use of agricultural land
To contribute to continue the agricultural activities over the less favoured areas
211 Natural handicap payments to farmers in mountain areas
212 Payments to farmers in areas with handicaps, other than mountain areas
To support to the LFA
50 to 65 %
To preserve and to improve the state of the natural habitats and resources
Under conditions, improving the agriculture practise aiming at having a global impact on the biodiversity and to preserve the state of the water resources
214 Agri-environment payments incl. Agro-forestry
To protect the biodiversity through the Natura 2000 network, the habitats Art 10, the protected areas
213 Natura 2000 and WFD payments
216 Non-productive investments
227 Non-productive investments – forest
To contribute to the objective of the WFD and Nitrates directives by target action : to restore the good state of water
213 Natura 2000 and WFD payments
214 Agri-environment payments
To protect the soil
214 Agri-environment payments
221 First afforestation of agricultural land
To contribute to limit the effect of the GHG
214 Agri-environment payments
To support the Agri-environmental measures
35% to 45%
To promote the sustainable management of the forest land
To perpetuate the production and to prevent the natural risks
221 First afforestation of agricultural land
222 First establishment of agroforesty systems on agricultural land
223 First afforestation of non-agricultural land
224 Natura 2000 payments in forest
225 Forest environment payments
226 Restoring forestry potential and introducing prevention
227 Non-productive investments
To support the management of the forestry areas
5% to 15%

3.3 Axis 3: The quality of life in rural areas and rural economy diversification

The improvement of the quality of life in rural areas and rural economy diversification will be articulate around three strategic objectives. Each of these objectives will be broke downed in specific objectives based on one or more measures proposed by the regulations (EC) 1698/2005.

The situation analysis in chapter 1 has shown that the modernization of the agricultural sector and its competitiveness will have consequences on social dynamics in rural areas since the increase of farm productivity and competitiveness requires a substantial transfer of labour from farm to non-farm activities with limited chances of moving an important share of this population from rural areas. Hence, the mobilization of the EAFRD under Axis 3 will be centred on the development of the economic attractiveness in order to stabilize existing jobs and to create new ones as well as to improve the living conditions of the rural area.

The provision and maintenance of an adequate level of infrastructure is essential for the economic and social development of rural areas and social development of rural areas and to the achievement of balanced regional development. A modern infrastructure is essential if rural areas are to compete effectively for inward investment and remain competitive for existing and new indigenous enterprises. It also contributes to making rural areas attractive places in which to live and work.

In order to reach these objectives Axis 3 will contribute to these needs of a sound wider rural development as follows:

SO 7: 'To maintain and to develop the economic activities aiming at increasing the employment'

This objective will aim at the encouragement of non-agricultural activities. The capital intensification of commercial farms through Axis 1 will lead to increase the surface area of these farms and to employ less labour in order to make them more competitive, without taking other considerations into account, such as their ability to generate additional work or to maintain a viable rural fabric. The diversification of farming activities will be targeted to stimulate diversification in all kinds of commercial holdings, such as processing of own raw products and direct marketing or encouragement of agro-tourism activities. A special attention will be given to the support of semi-subsistence farmers who depend on such additional and diversified activities in order to make fully use of their labour capacity. Moreover, in order to absorb particularly the high amount of young underemployed labour force from subsistence farms, micro-enterprises will be encouraged to start economic activities in the rural areas and to diversify the traditional pattern of mostly service oriented offers in the villages. Agro-tourism activities and linked efforts of entertainment, having a positive impact on the setting up of additional jobs as well, will be supported as well. This support will be combined with efforts to improve the natural and social environment and stimulating eco-tourism as well as the services and a better structuring of the marketing of typical regional products. In this sense, the growing branch of agro-tourism with its traditional

warm hospitality will be combined with the preservation of valuable cultural traditions and customs.

SO 8: 'To increase the attractiveness of the rural areas'

This objective aims to improve living conditions in Romanian countryside in order to maintain and to improve the social and economic standards to prevent rural areas from depopulation.

Making rural areas sustainable growth also requires facilities access. In this respect, the key solution to ensure a balance of the rural area is that of an improved access to infrastructure of the rural actors.

- A first group of measures aimed at the improvement of the attractiveness of the life in the villages by setting up integrated infrastructure projects for rural renewal of village aiming at preserving the architectural and the natural heritage. In close collaboration with the bodies in charge of the cohesion policy and according to the demarcation lines proposed in chapter 5, it is proposed to sustain and renew village infrastructure i.e. roads, water supply and waste water treatment as well as transport infrastructure. All this will have a great positive impact to the quality of life and countryside. Also the consolidation, preserving and expanding of the existing infrastructure in cultural, recreational and sporting amenities is aimed, in order to safeguard the environment and nation's cultural heritage in a manner in which contribute positively to the social, leisure and educational opportunities available to rural population.

- A second group of measures includes light instruments aiming at improved quality of life will be implemented through the Leader approach. They will focus on basic services of the population such as organisation of social events but also small economic activities and the improvement of the cultural and the natural heritage. They fully take into account the required social and cultural functions in the local governance which will undoubtedly contribute to the improvement of quality of life. In this way the social dynamics of local leadership and governance may relate even stronger identification of the rural population with their territories with all its traditions and values.

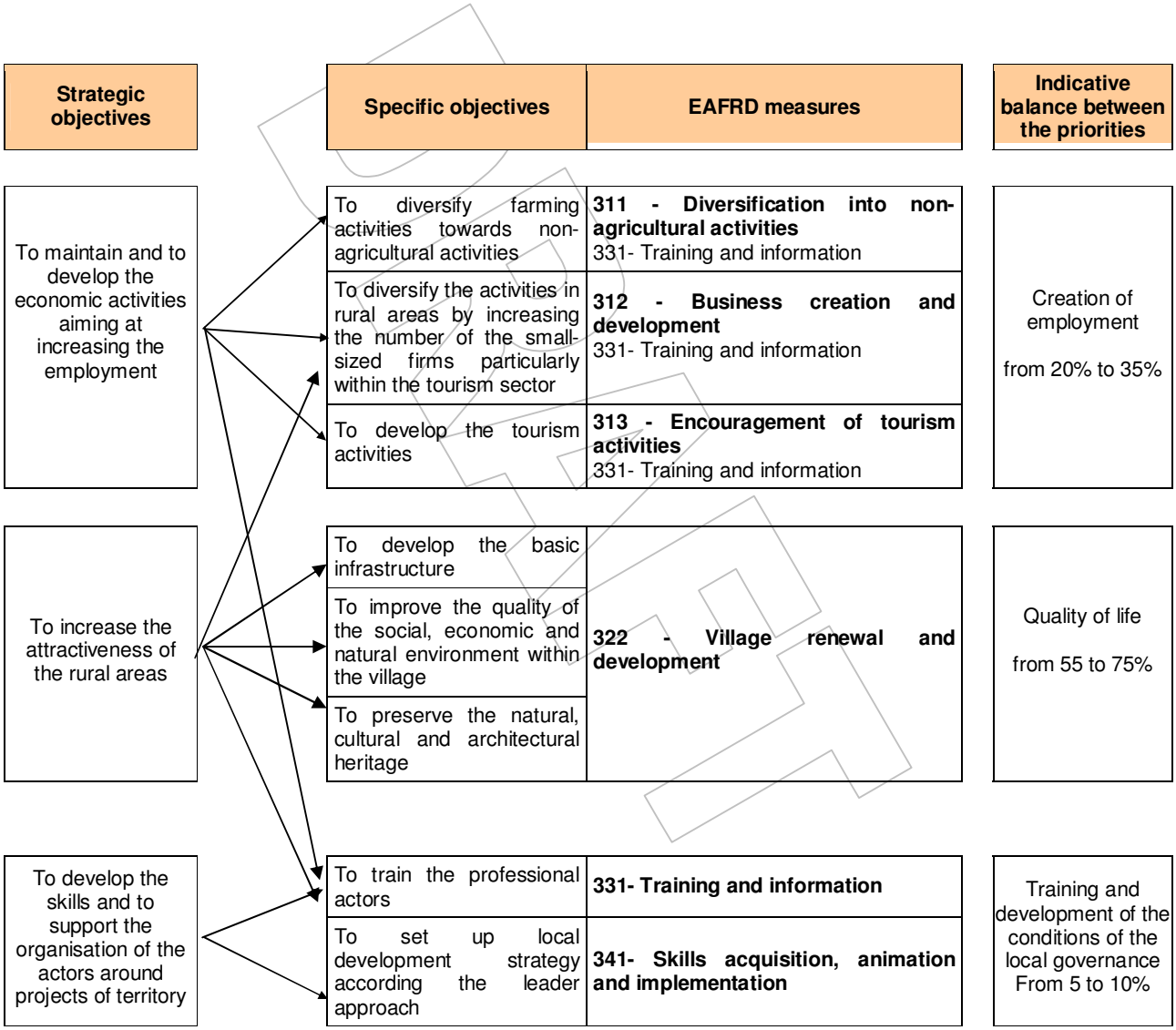
SO 9: 'To develop the skills and to support the organisation of the actors around projects of territory'

In this context it has to be noticed, that this kind of bottom up development and participating action needs a sensitive introduction and training. Therefore, the development of the necessary skills and the support of the actors around projects of territory are of great importance. A successful approach in this sense will contribute to enhance the impact of the two previous objectives by the implementation of training sessions dedicated to the potential beneficiaries of this axis 3. In this way the training will support the development of diversification e.g. business skills and the training related to the tourism activities. Moreover, these activities will contribute to the priorities on Axis 4 'Leader' by the setting up of local

development strategies, partnership, and identification of territory and development of the local technical engineering required to reinforce the implementation of the Leader approach.

Based on these objectives the balance of priorities within this axis will be the following, from 55 to 75% dedicated to the quality of life, from 20 to 35% to the creation of employment, from 5 to 10% to the training and development of the conditions of the local governance.

The break-down into specific objectives and EAFRD-measures and the proposed indicative balance of priorities is shown in the following schema.



3.4 Axis 4: Implementation of the Leader approach

The strategic orientations of the Community for the rural development invites to use the resources allocated of axis 4 to improve the governance and to mobilise the endogenous potential of the rural zones. Romania will decline these orientations in the following way.

The great diversity of the Romanian rural territories will be in the earth of the integrated local strategy made by a solid partnership: each territory, thanks to its particular physical and human resources (equipment in natural and cultural factors, remarkable sites, regional traditions, particular know-how…) can contribute with its original input to the economic and social development of the country.

The local development strategies should be implemented based on a global approach grounded on the different sector of the rural economy. Integrated approaches will allow for example to develop the quality of the foodstuffs and to promote them within the framework of tourist steps. In this way LEADER will cover the three axes.

SO 10: 'To promote the endogenous potential of the territories'

Concerning the **partnership** responsible of the management and the implementation of the inter-sectorial local development strategy, the mixed nature private and public, which brought the representative ness, the pragmatism, the openness, and entrepreneurship, is a major priority of LEADER. A particular effort will be made to involve the private partnership and notably the farmers and foresters aiming at to increase the synergy between the three axes. A particular attention will be made to the participation of men and women within the partnership.

Each local development strategy will be built around a **well identified priority**, so that the support of the EAFRD will not disperse. This targeting will contribute to the legibility of the strategy within the territory and outside.

A special attention will be paid on the **innovation** and **pilot** characters of the project funded by LEADER in particularly by checking the selection criteria which will be proposed by the LAG. These criteria will allow a better coordination **between LEADER and the other axes** of EAFRD support. The implementation of original and ambitious approaches will allow exploring new practises which can profit to the rural areas.

SO 11: 'To improve the local governance'

The development and the implementation of the **local development** strategies require a great work of **engineering and management** on the field, particularly in Romania where this approach is new. A great attention will be paid on this issue and Romania intends to organise before the official launch of the programme some training sessions targeted these human resources.

The co-operation allows an opening and very valuable sharing of experience. It is factor of diffusion of the European citizenship within its trans-national implementation. It will

fully form part of the objectives of the Romanian LEADER approach. It will be facilitated by a methodological accompaniment which will be based in particular on the Romanian rural network and the European network. Nevertheless the cooperation could be launch later when the local development strategies will be well implemented.

The approach LEADER could take a will to be implemented correctly in Romania. The priority will be given when the programme will start to the preparation of the territories within the third objective of axis (measurement 341). A first call of proposal will be launch in the first two years of the programme aiming at selecting the first group of Romanian LAG so called "Pilot LAG". These LAG will represent a good example of the local development practise and will support the training process aiming to select before 2010 a second group of LAG. The territories not selected within these two calls of proposal could continue to benefit of the support of the measure 341.

The break-down into specific objectives and EAFRD-measures and the proposed indicative balance of priorities is shown in the following schema.

Strategic objectives	Specific objectives	EAFRD measures	Indicative balance between the priorities
To promote the endogenous potential of the territories →	To implement the local development strategies	411 (project linked to axe 1) 412 (project linked to axe 2) 413 (project linked to axe 3) 421 (cooperation between territories)	80 %
To improve the local governorship →	To ensure the implementation of the local development strategies	431 Running cost	20%

3.5 Quantified objectives and indicators

Overall goal

Overall objective	Strategic indicators	Initial Stage	Objective 2013
Economic dynamism of Romanian rural areas	**GDP / capita rural areas**		
Maintaing the social dynamism	**Rate of out-migration, Total nomber of jobs in rural areas**		
Sustainable agriculture	**GVA (absolute figures)**		
Preservation and consolidation of natural resources	**Protected areas (hectares)**		

Axe 1

Strategic objective	Indicative balance between priorities	Strategic indicators	Initial Stage	Objective 2013
To improve the skills of the farmers and persons relating to the forestry sectors allowing a better management of the agricultural holdings and forest	10 to 20 %	**% of farmers with basic and full education attained**	**NA**	
To improve the competitiveness of commercial and semi-subsistence farmers and assuring a 'decent phasing out' of subsistence farmers	50 to 70 %	No. of semi-subsistence farms < 1 ESU	947,48 thousands 2006 MAFRD estimation	
		Labour productivity in agriculture GVA(at basic price - in euros)/AWU (EU-25=100)	**14 euros Eurostat average 2002-2004**	
		Employment development of primary sector	3.533,6 Thousands people employed 2002 - NUTS 2 Eurostat LFS	
		Economic development of primary sector	4.576,9 Million Euros - 2002 - NUTS 2 Eurostat	
To restructure and to modernise the processing sectors for agriculture and forestry products	20 to 30 %	**Labour productivity in food industry**	**NA**	
		Employment development in food industry	NA	
		Economic development in food industry	3.386 Million euros Eurostat National Accounts 2001	
		Labour productivity in forestry	**NA**	

Axe 2

Strategic objective	Indicative balance between priorities	Strategic indicators	Initial Stage 2007	Objective 2013
To ensure the continuous sustainable use of agricultural land	50 - 65%	% UAA in Non-LFA/LFA mountain / other LFA / LFA with specific handicaps	N.A.	
'To preserve and to improve the state of the natural habitats and resources'	35-45%	UAA of High Nature Value Farmland areas (Million ha) CLC 2000	3,32 (indicative)	
		Trends of index of population of farmland birds	N.A.	
		Surplus of Nitrogen (kg/ha)	N.A.	
		Agricultural emissions of greenhouse gases (1000 t of CO2 equivalent EUROSTAT 20023	11.946,5	
		% of the UAA under organic farming MAFRD 2005	0,79	
		% UAA for extensive grazing EUROSTAT 2003	37,3	
		Areas at risk of soil erosion (Ton/ha/year) MAFRD 2004	5,29	
		Production of renewable energy from agriculture EuroObserver 2004	0.0	
To promote the sustainable management of the forest land	5-10%	Forestry area CLC 2000	29,3	
		Production of renewable energy from forestry EUROSAT 2003 (kToe)	2.903	

Axe 3

Strategic objective	Indicative balance between priorities	Strategic indicators	Initial Stage 2007	Objective 2013
To maintain and to develop the economic activities aiming at increasing the employment	20% to 35%	% holders with other gainful activity	19,9 2003 – EUROSTA FSS District level	
		Tourism infrastructure in rural areas (Nb of bed place)	277.047 EUROSTAT 2001 - NUTS 3 354.774 EUROSTAT 2001 Country level	
		Economic development of non-agricultural sector: GVA in secondary and tertiary sectors	38.327,4 Million euros EUROSTAT Economic Accounts 2002	
		Net migration Net migration rate per 1000	- 0,3 EUROSTAT 2003	
To increase the attractiveness of the rural areas	55 to 75%	Employment in secondary and tertiary sectors	12.366,7 EUROSTAT Economic Accounts 2001 Thousands people employed	
		Self-employed persons	1.851 EUROSTAT Labour Force Survey 2004 Thousands people employed	
To develop the skills and to support the organisation of the actors around projects of territory	5 to 10%	Life long learning (% of adult participating in education and training)	1,4% EUROSTAT Labour Force Survey 2004	
		Development of services sector % GVA in services	50% EUROSTAT Economic Accounts 2002	

Axe 4

Strategic objective	Indicative balance between priorities	Strategic indicators	Initial Stage	Objective 2013
To promote the endogenous potential of the territories	80 %	Share of population covered by LAGs	0	
		Total size of the LAGs area (km^2)	0	
To improve the local governorship	20 %	Number of Local Action Groups	0	

4. Financial resources of Rural Development Programme (indicative allocations), including amounts earmarked for Convergence Objective

NRDP	EAFRD
Axis 1: Improving the competitiveness of the agricultural and forestry sectors	45%
Axis 2: Improving the environment and the countryside	25%
Axis 3: The quality of life in rural areas and rural economy diversification	30%
Total	100%
Of which: Axis 4: Implementation of the Leader approach	2,5% (2010-2013)
Technical Assistance	301 M€ (4% of total EAFRD)
Contribution to CNDPs	500 M€
Total EAFRD	**8, 022 mio €**

5. Internal and external coherence of NSP

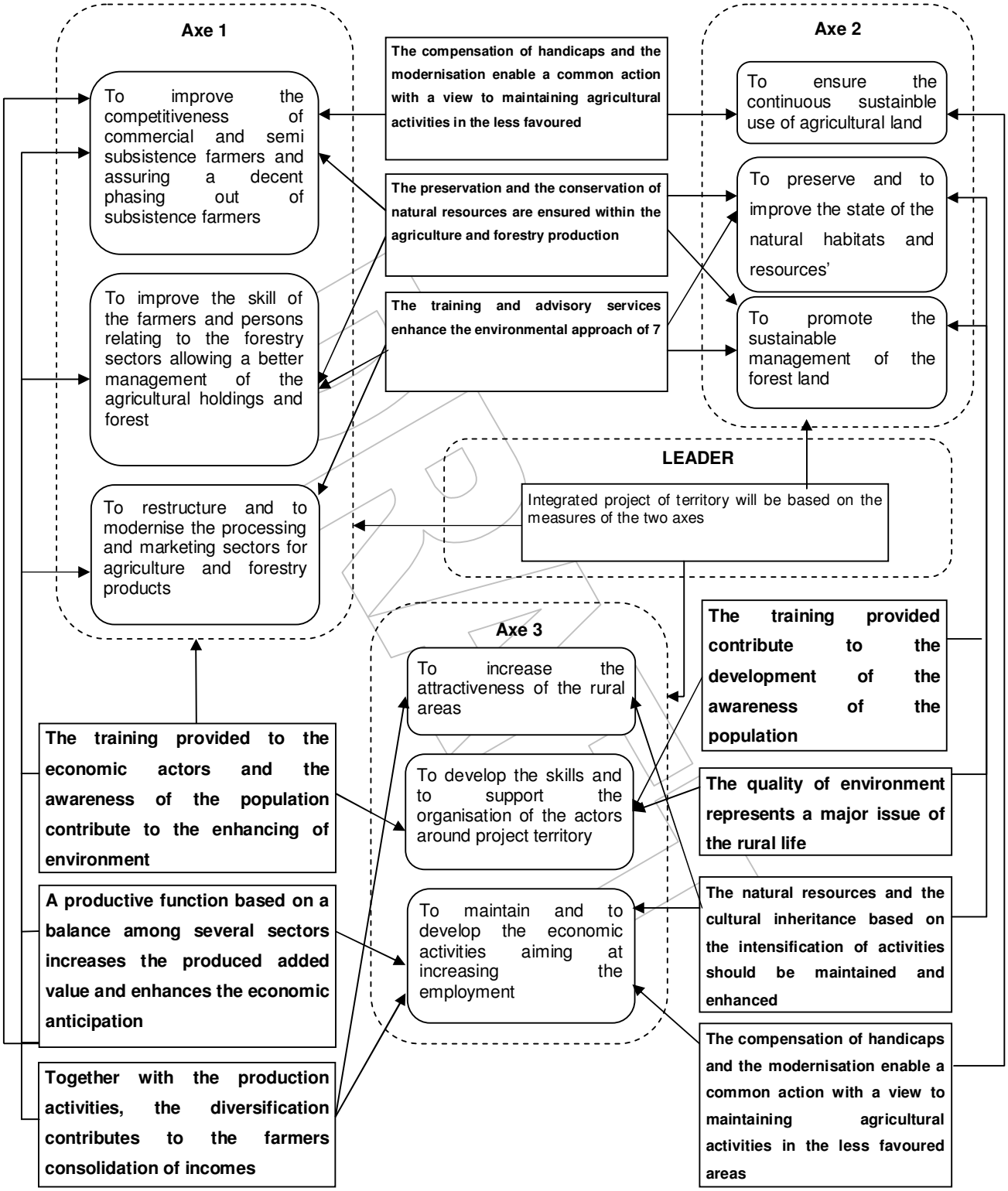
Rural areas can only assert themselves to international and global competition if their endogenous potential (including local enterprises with established know-how, attractive landscapes, and cultural traditions) is put to optimum use, if the conditions – including infrastructure – for a suitable quality of life are created and maintained and synergies of support of various sources are exploited. The optimum use of scarce resources requires coherence of the support measures

- of the EAFRD-measures with one another,
- with the 1st pillar of the CAP as well as other EU political demands,
- with the EU structural policies (Structural Funds, Fisheries Fund),
- with the national economic and social policy

5.1 Synergies between axes

Although the priorities for the intervention of EAFRD are presented axis wise, there are strong **synergies between the axes**. In many cases, the support measures of one axis will contribute to achieve the objectives of the other axes. In this respect, consideration must be given as well to the objectives overarching the 4 axes: environmental protection and nature conservation and equal opportunities for men and women. The support measures are to be geared to one another inter alias so that duplication of support is avoided. One of the strategies to solve the threat of climate changes is also the usage of renewable energy sources. Support shall target mostly the bio crops production and the biomass obtained from waste.

The following scheme shows the principal linkages between the axes.


Axe 1
To improve the competitiveness of commercial and semi subsistence farmers and assuring a decent phasing out of subsistence farmers
To improve the skill of the farmers and persons relating to the forestry sectors allowing a better management of the agricultural holdings and forest
To restructure and to modernise the processing and marketing sectors for agriculture and forestry products
The compensation of handicaps and the modernisation enable a common action with a view to maintaining agricultural activities in the less favoured
The preservation and the conservation of natural resources are ensured within the agriculture and forestry production
The training and advisory services enhance the environmental approach of 7
Axe 2
To ensure the continuous sustainble use of agricultural land
To preserve and to improve the state of the natural habitats and resources'
To promote the sustainable management of the forest land
LEADER
Integrated project of territory will be based on the measures of the two axes
Axe 3
To increase the attractiveness of the rural areas
To develop the skills and to support the organisation of the actors around project territory
To maintain and to develop the economic activities aiming at increasing the employment
The training provided to the economic actors and the awareness of the population contribute to the enhancing of environment
A productive function based on a balance among several sectors increases the produced added value and enhances the economic anticipation
Together with the production activities, the diversification contributes to the farmers consolidation of incomes
The training provided contribute to the development of the awareness of the population
The quality of environment represents a major issue of the rural life
The natural resources and the cultural inheritance based on the intensification of activities should be maintained and enhanced
The compensation of handicaps and the modernisation enable a common action with a view to maintaining agricultural activities in the less favoured areas

5.2 Synergy with the other community policies

5.2.1 EAFRD and 1st pillar of CAP

Market and income support measures of pillar 1 include direct payments to farmers and market related subsidies under common market organizations, such as buying of products for public storage, surplus disposal schemes, and export subsidies. For practical reasons, the distribution of milk quotas will be discussed as well.

The general principles for direct payments in Romania are as follows:

- Romania has opted for the simplified area payment scheme -SAPS for a period of 3 years, with the possibility of a 2-year extension, based on the Commission agreement. In the meantime, Romania will perfect its Integrated Administration and Control System, so as to be able to answer the EU requirements.

- To compensate the 10-year period impact generated by the gradual implementation of direct payments, Romania has decided to supplement the direct payments granted under SAPS with complementary national direct payments – CNDPs.

- For the vegetal sector, the CNDPs will be financed from the national budget and from the National Rural Development Plan (20% co-financing); for the animal-breeding sector, they will be financed 100% from the national budget.

- The CNDP amounts will be allocated to sectors playing a significant role in Romanian agriculture and that need to be supported according to the provisions indicated in the National Strategy for Agriculture and Rural Development, without prejudice to the interests of the Common Agricultural Policy.

Given the Romanian financial possibilities in 2007 the direct payments have the following structure: Total direct payments: 440 mio Euro for payments under SAPS and 515 mio Euro for payments under CNDPs (total: 955 mio. Euro). This mixture of financial resources offers additional alternatives for a better coherence of pillar 2 support measures and pillar 1 payments.

Calculations for Romania show, that in 2007 the basic SAPS alone will not result in an immediate increase in income for agricultural producers, but it will compensate them for about half of that part of the incomes loss resulting from the shift to the lower EU market price support levels for crops. A topping up of SAPS by 30 percent CNDPs is needed to maintain the income level of all farmers. This option, however**,** would increase the incomes of farms operating more than 100 hectares by almost 25 percent, although these farms generally benefit from economies of scale in form of lower depreciations, advantages in prices for inputs and products and generally have better access to know how and capital. Generally, these farms operate with higher capital- and low labour intensity, contributing

relatively little to improve the regional employment situation. Therefore, successful development of the farm sector as a whole requires abolishing the preferential treatment of large farms and establishing a level playing field for farms of all organizational types and sizes.

In order to compensate the double advantages of the farms with more than 100 hectares in form of economies of scale and with respect to direct payments, and in order to stimulate their employment capacities, **for farms with more then 100 hectares CNDPs will be linked to their labour intensity**. Hence, commercial farming will be supported and encouraged by the government, but support in form of CNDPs will be based on measures of commercial and labour intensive activities and not on size alone.

The system of milk quotas will be introduced upon accession date, as a way of limiting Romanian production of milk up to 3 mio tons per year (1 mio tons 'delivery quotas', 2 mio tons 'direct sales quotas'). The minimum quota assigned to an individual dairy farm is 35.000 kg and the maximum 2 mio kg of milk. The Romanian government intends to **link the payments under CNDPs in order to improve the quality of milk.** CNDPs will be given to milk producers in relation to the number of milking cows and the quality of the milk.

The **productivity of milk production** is expected to rise from 3.500 kg nowadays to 5.000 to 6.000 kg per cow and year until 2013. As a consequence fewer cows, fewer cow places and less grassland to feed cows will be needed. As well, less calf will be born and less beef will be produced. In Western Europe milk quotas have necessitated that individual farms concentrate on maximising the margin per litre of milk quota available to them. This generally has meant that increasing amounts of high quality silage are being fed to dairy cows, with continued economies being sought in concentrate feeding.

This development is expected to be the same in Romania. This will lead to the consequence that about 1 to 2 mio hectares of grassland will not be needed anymore for dairy production, endangering abandon of these areas, and withdrawal of LFA payments and reduction of SAPs and CNDPs via cross compliance.

An alternative use for this grassland will be supported by **linking CNDPs for farms with high proportion of permanent pasture, to their number of suckler cows, sheep or goats** and open the eligibility of axis 1 measure 'farm investments' to shelter and fencing. Support for purchasing of beef cattle will be provided by state aid integrating it into a 'Romanian Beef Cattle Scheme'

On drawing up and implementing the programmes, especially for axis 2 measures, close coordination with the agencies competent for the implementation of the 1st pillar is ensured. The same also applies for the other Community policies to be taken into consideration.

As soon as Romania joins the European Union, producers and traders in many agricultural products will have both opportunities to take advantage of and obligations to comply with from a range of EU. In Romania, these schemes) and measures in the field of **Common Market Organisations (CMOs**) will be administered by the Paying and Intervention Agency for Agriculture (PIAA) with the full support of MAFRD.

Preparations are under way to ensure that PIAA is ready to support the Romanian agricultural industry with the focus on certain key priority sectors:

- Cereals,
- wine,
- pig meat,
- poultry meat and eggs,
- sugar, and
- dairy products.

The focus is on preparing to comply with Romania's obligations for importing and exporting these key agricultural products into and out of the EU by implementing the import and export licensing systems and the mechanisms to allow for the payment of export refunds. PIAA has also made cereals intervention a priority measure and is well advanced in its preparation for administration of this measure.

PIAA is aware of the full range of CMO sectors, schemes and measures for which administrative support will be required following accession and is developing a wide range of knowledge and skills to fully support the Romanian agricultural industry.

CMO administration is the subject of constant change within the wider setting of reform of the EU Common Agricultural Policy. All of the priority sectors mentioned above have been the subject of recent wide-reaching changes which have to be implemented by all EU Member States, including Romania after accession. It is essential for producers and exporters to be aware of their rights and obligations by becoming familiar with the EU legislation for their sector. Information is available from the Europe or Eurolex websites of the European Commission.

5.2.2 EAFRD and Structural Funds (EFRD and ESF)

In various middle and eastern European countries rural development supported by national and EU funds has made a positive impact on the rural development of the countries, but could benefit from better alignment with the regional development agenda. The increasing regional inequalities have become a significant issue to be addressed.

Lagging behind territories might increase in some of the 8 Romanian NUTS 2 regions as well. The increasing regional inequalities described in the Romanian Regional Development Program underlings the efforts of the MAFRD to aim in the NRDP, currently under preparation, to take a more balanced approach to rural development by targeting rural regions that have a relatively high incidence of poverty and low levels of economic activity. Equity considerations might lead to proposals of **regional envelopes for funding**, and the criteria of calculating these include income levels, labour markets and farm structure.

SAPARD experiences in Romania show clearly how difficult it is to attract potential beneficiaries and to absorb the available funds in a given time. In order to improve the

impacts of NSP measures for 2007 - 2013 the regional distribution of demanded and awarded SAPARD-projects of all previous measures was analysed. The results will be counter-checked with a general hypothesis: Is the lack of applications and projects in certain rural areas **cause of lagging behind** of the specific rural areas or are there other causes, for example pour design of the measure or poor management of the implementation? If this is the case and lagging behind might not have capacities or skills to absorb the assistance offered, **Technical Assistance (TA)** activities should be put in place (e.g. animation). Once again, such strategies should incorporate support from the other EU structural funds as well. The objectives of such policies are in a first step to assist the MAFRD in building an improved set of diagnostics that help:

- Accelerating the development of lagging rural regions (territorial diagnostics and implications for rural development measures 2007 – 2013,
- Institutional arrangements for implementation of rural development measures in closer cooperation with other EU structural funds.

In order to ensure in Romania a sustainable impact regarding the extension and modernization of **water and wastewater systems in rural areas** measure descriptions of both funds – the EAFRD and the SOP Environment will be harmonized. Rational use of funds for water supply and wastewater require a competent application of technical and economical criteria and regional priority setting. There is a high risk, too, to recurrent costs which are beyond the financial capacity of the villages served.

With the support of **advanced regional planning and programming** it is possible to deal with regional demands in a more efficient way. A co-ordinated and optimised preparation of regional/ rural as well as spatial development strategies/concepts will be applied and improve the preparation of appropriate projects and contribute to a higher quality and more efficient use of funds. Measures implemented in this way will suit better to social-economic location factors and individual local conditions, business and labour force. This will give activities a higher durability and sustainability concerning existing and new employment, according to the objectives of the EU rural and regional (development) policies: job creation and safeguarding as well as contribution to achieving social, economic and territorial cohesion

In order to provide an efficient intervention of EU funds during the 2007-2013 period, it is essential to ensure the complementarities and maximize synergy between the activities of the EAFRD under this National Strategic Plan and the Structural Instruments – European Regional Development Fund (ERDF), European Social Fund (ESF) and Cohesion Fund to be delivered under the Operational Programmes of Romania's National Strategic Reference Framework (NSRF).

The strategic vision of the NSRF closely supports the Lisbon and Gothenburg objectives of economic growth through increased competitiveness, better quality jobs, social inclusion and environmental protection. It outlines the spatial approach to be followed in Romania for the interventions of the Structural Instruments under the Convergence and European Territorial Cooperation Objectives in order to promote balanced and sustainable

development.

This includes addressing the disparities in development between different regions, as well as between urban and rural areas. Given the objectives of Romania's Rural Development Policy to increase the attractiveness of rural territory from an economic, social and environmental point of view and its focus on building basic services and developing the business environment in rural areas, it is clear that there is a strong correlation between the NSRF and this NSP.

Coordination between the EAFRD and the community policy

- **Coordination mechanisms**

The Ministry of Agriculture, Forests and Rural Development cooperates with the National Authority for the Coordination of Structural Funds (ANCIS)1 with the Ministry of Public Finances, based on the various committees and partnerships for the coordination of NSP / NRDP and the operational programs pertaining to structural funds. ANCIS is the institution in charge of coordinating the management and development of structural funds, according to the Government Decision 128/2006, to secure the coordination and coherence of Operational programs, NRDP and the Operational Program for Fishing.

- **The National Strategic Committee for Rural Development**

The National Strategic Committee for Rural Development (NSCRD) was set up according to the Memorandum of the 17 March 2005 in order to monitor the preparation process of the NSP and the NRDP. He is chaired by the minister of agriculture, forests and rural development and comprises the representative of other ministries and agencies, representative NGOs in agriculture and forestry and research and higher education institutions in the following fields: agriculture, forestry, rural development. This NSCRD will be responsible of the monitoring of the RDP during the period 2007-2013. It will meet as frequent as needed, to analyze strategic orientation, priorities, program architecture and the main national frameworks for intervention.

NACSF representatives will also be invited to take part in the meetings of NSCRD, in order to revise the coordination of rural development perspectives.

- **The National Coordination Committee for Structural Funds**

The National Coordination Committee (NCC) was set up according to GD 1200/2004 and it is the main inter-ministerial decision-making body of the Romanian government for the coordination and implementation of the European Union structural instruments. The Ministry of Public Finances chairs this committee, and its members are represented by the ministers in charge of the management authorities for operational programs supported by structural

[1]The name of the National Authority for the Coordination of Structural Funds (NACSF) is used for operational objectives and will be subject to a formal approval after the regulations are adopted.

funds, while the certification authority is represented by the certification authority and audit authority.

Both the representatives of the of Agriculture, Forests and Rural Development in its capacity of Management Authority for EAFRD, and the other relevant partners are invited to take part in the NCC meetings, to coordinate various national development components.

- **Regional Coordination Committees**

The Romanian authorities recognize the need for an additional mechanism to ensure coherence at the regional level (NUTS II) between the interventions funded by the Sectoral Operational Programs, the Regional Operational Program, the Territorial European Cooperation and Convergence Objectives and the rural development program and the operational program for fishing.

The coordination committees will be set up in each of the 8 development regions. These committees will provide a number of inputs for project development and the selection process, taking into account the coherence and correlation among operations.

Demarcation between funding sources

The Structural Instruments Operational Programmes (OP) most likely to overlap with the interventions of the EAFRD are the following:

- The SOP :"The increase of Economical Competitiveness" (ERDF),
- The SOP :" The environment" (EFRD and Cohesion Fund),
- The SOP: "The Human Resource Development"(ESF)
- The Regional Operational Programme "The Regional Development" (ERDF).
- The SOP " Fishery and Aquaculture"

An overview of the types of demarcation lines to be established in the case of potentially overlapping interventions is set out, by OP, in the tables below:

Demarcation of potentially overlapping interventions between NSP/RDP and OP 2007-2013				
Increasing Economic Competitiveness (ERDF)				
OP Priority Axis	**NSP/RDP (EAFRD)**	**Type of intervention**	**Demarcation line**	**Ensured by**
Priority Axis 1	Priority Axes 1	Aid to SMEs and micro-enterprises (finance and advice)	OP – NPRD OP - SME's involved in other sectors excluding those provided in Annex 1 of Treaty	Annex 1 of Treaty
	Priority Axes 3	Aid to micro-enterprises (finance and training)	OP – spin off and high tech micro-enterprises NPRD – all micro-enterprises in rural area except spin off and high tech	Type of investment
Priority Axis 2	Priority Axis 1	Costs of cooperation between research institutes and enterprises	NPRD – agricultural sector	Sectoral code (CAEN)
Priority Axis 4	Priority Axis 1	Aid for SME's for renewable energy	OP – second processing of agricultural products, and other systems for renewable energy NPRD- SME's for second processing of agricultural products conditioned by primary processing which can provide the necessary raw material or is linked to the farm	Conditionality
Priority Axis 5	Priority Axis 3	Tourism	Type of investment – OP Competitiveness will only support national tourism promotion NPRD – support local rural tourism promotion	Area and eligible costs
Priority Axis 3	Priority Axis 3	ICT infrastructure	OP – large capacity	Investment

			NPRD – just through micro-enterprises in rural areas	capacity

Environment (ERDF investments)

OP Priority Axis	NSP/RDP (EAFRD)	Type of intervention	Demarcation line	Ensured by
Priority Axis 1	Priority Axis 3	Water supply and waste water infrastructure	NPRD Localities with limited number of equivalent inhabitants from rural area OP – upstream NPRD support localities	Equivalent inhabitants
Priority Axis 4	Priority Axis 3	Studies, plans and systems for management of the environment / protected areas	OP – drawn up master plans of Natura 2000 sites NPRD – compensatory payments for Natura 2000 sites	Intervention type

Regional Development (ERDF)

OP Priority Axis	NSP/RDP (EAFRD)	Type of intervention	Demarcation line	Ensured by
Priority Axis 2	Priority Axis 1	Aid to *regional/local* SMEs and start ups (finance and advice)	OP – SME's in other sectors than those provided in Annex 1 of the treaty, in rural area NPRD – SME's involved in agriculture and processing of agricultural products as is provided in Annex 1 of the treaty	Field of Intervention
	Priority Axis 3	Aid to *regional/local* SMEs and start ups	OP- micro-enterprises in urban area NPRD – micro enterprises in rural area	Destination area
Priority Axis 3	Priority Axis 3	Regional / local tourism/rural tourism	OP - will only support tourist sites at small and large capacity in urban area and tourist accommodation (more than 10 rooms) in rural area NPRD will only support investments in rural tourism	Area destination Capacity

Demarcation of potentially overlapping interventions between NSP/RDP and OP 2007-2013				
			accommodation and linked infrastructure (up to 10 rooms)	
Priority Axis 3	Priority Axis 3	Investments in cultural heritage – inc rehabilitation of buildings/areas	OP – UNESCO and national heritage NPRD – local heritage in rural area	Heritage classification
Priority Axis 1	Priority Axis 3	Local transport improvements – including local roads	OP – county level NPRD – commune level	classification of roads capacity
Human Resource Development (ESF)				
OP Priority Axis	**NSP/RDP (EAFRD)**	**Type of intervention**	**Demarcation line**	**Ensured by**
Priority Axis 3	Priority Axis 1	Vocational training for people in rural areas	OP – non-agricultural activities NPRD - Target beneficiaries involved in agricultural and forestry	Type of courses Beneficiary
Priority Axis 3	Priority Axis 3	Training of economic actors	OP – professional education / medium and long term skills acquisition NPRD - training (short time) for economic actors operating in axis 3 of NPRD fields	Type and intensity

EAFRD and EFF

Demarcation of potentially overlapping interventions between NSP/RDP and SOP Fishery and Aquaculture 2007-2013				
SOP Priority Axis	**NSP/RDP (EAFRD)**	**Type of intervention**	**Demarcation line**	**Ensured by**
Priority Axis 2	Priority Axes 1	Processing and marketing	SOP FA – (fishery and aquaculture sector) NPRD – Agriculture sector	Field intervention
Priority Axis 2	Priority Axes 3	Diversification of activities	SOP FA – beneficiary :Fishery farms NPRD- member of agricultural farms	Beneficiary
	Priority Axes 3	Tourism activities	SOP FA – rural tourism on costal areas linked to the fishery farms NPRD- rural tourism linked to the agricultural households and rural tourism except those linked of fishery farms	Beneficiary
Priority Axis 4	Priority Axis 4	GAC – LAG	SOP FA GAC territories NPRD LAG territories	Territories

5.2.3 EAFRD and EFF

The SOP 'Fishery and aquaculture' is orientated towards the improvement of this sector regarding the support of the agents involved in order to ameliorate the competitiveness of the fish producers and to establish an sustainable use of the existing resources.

The major objectives are the following:

- Enhancing the long term management of the fishery resources by measures aimed to increase their protection;
- Insurance of a decent level of income for the people depending of fishery and aquaculture activities;
- Regular delivery of good quality fish products to the direct consumers

and to the industry sector.

The strategic objectives concerning the production and the transformation of the fishery and aquaculture products are:

- to encourage the production and the commercialisation on the national market of a bigger quantity of fish under the conditions of a diversification of the offer and respecting the European Standards of Quality;
- to increase the number of jobs in the sector and to encourage the initiative of the producers in the fishery and aquaculture field but also in the processing and distribution of fish production; (interaction with LEADER approach, see chapter 3.4., creation and management of LAGs will be encouraged)
- to promote the sustainable use of the natural resources in aim to preserve the biodiversity.

The fishery activities in the country side offer, for certain regions, the opportunity to reduce the unemployment and to increase the income in the context of a sustainable preservation of the natural resources. In consequence, these activities will receive financial support from the different sources from which the European Fishery Found (EFF) and the EAFRD. The EFF will support the sustainable use of the see resources, the development of the economic activities in this field and the increase of the competitiveness of the enterprises, the preservation of the environmental resources and the ecotourism, the progress of the waterside areas and the amelioration of the necessary conditions to the expansion of the processing factories. This fund will sustain also the implementation of the European quality standards. In the same time, some activities will be eligible to be financed by the EAFRD because their object, following the SOP 'Fishery and aquaculture', will be linked to one of the four priority axis.

However, in order to respect the principle of a unique finance source from the structural funds, there will be clear delimitations between the two funds. The discussions for the internal concentration are in an advanced state regarding that aspect, and the actions financed by EAFRD and EFF will be simple and operational.

5.3 Consistency with other EU strategies and priorities

- **Environmental policy**

The Rural Development Strategy is compliant with the objectives indicated in the 6 Environmental Action Programs of the European Union, especially those related to the promotion of natural diversity, water and soil protection, mitigation of climate changes and air pollution and the use of pesticides. The agency in charge of the coordinated implementation of the environmental policy in Romania is the Ministry of Environment and Water Management.

The setting up of the NATURA 2000 networks provides the means for ensuring natural diversity and achievement of the objectives in the Council Directive 79/409/CEE regarding wild birds and Council Directive 92/43/CEE regarding the preservation of natural

habitats and the wild flora and fauna. Romania must implement the NATURA 2000 network, in compliance with the European Union requirements. The target of this system is the protection of nature elements which are unique and rare in the EU. The National Strategic Plan for rural development will support the use of environmental friendly techniques.

As for water protection, Directive 2000/60/CE sets the general framework for the community water policy. Pollution mitigation and stopping waste discharges are activities included under axis 2, by the integration of environmental objectives and measures to contribute, together with other policies, to the implementation of this directive.

The agro-environment measure includes combating soil erosion, contamination and other damages. To this end, the National Rural Development Plan relates to the development of sustainable agricultural systems, to balance the effects of intensive exploitation of farming lands.

As for the implementation of the "Clean Air for Europe" Program, this program takes into account environment friendly approaches along the lines of the principle "clean air – human health".

- **The European Union Forestry Strategy**

The EU forestry strategy provides the improvement of forest management by forest protection and emphasises the multifunctional role of forests and sustainable forest management based on their social, economic, environmental, ecological and cultural functions for the development of society and, in particular, rural areas and the contribution forests and forestry can make to existing Community policies.

National Strategic Plan is compliant with the EU forestry strategy and contributes to its objectives by such measure as: support for training, improved value-added for forests, cooperation for the development of new products (Axis 1).

The biodiversity promotion, conservation and development, especially of forests, will be pursued in Axis 2, according to the Nature 2000 Program. Also the afforestation of agricultural and non-agricultural lands is a method of land use compatible with the need to preserve the natural environment and landscape and protect and improve natural resources.

- **Innovation**

The National Strategic Plan contributes to the implementation of innovations in rural areas, by promoting new products, processes and practices, for environmental protection, likely to improve the performance of farmers and small entrepreneurs.

- **Information and Communication Technology for agriculture and rural development**

Information and communication are two very important components of the National

Plan, for the access and dissemination of information in rural areas, according to the activities in Axis 3, thus contributing to the achievement of the objectives included in the EU information strategy.

Through Axis 1 is foreseen the development of the informational and training system of the farmers and forest owners, of the agriculture and forest products processors in order to improve professional knowledge and management, and through Axe 3 is foreseen professional training(e.g. developing businesses skills, training in tourism sector) for rural population involved in diversification of rural economy activities that will lead to increase of the proportion of rural active population, and implicit, to obtaining additional incomes, with an positive impact regarding the improvement of the quality of life.

- **Bio-energy**

As far as bio-energy is concerned, the National Strategic Plan takes into account the promotion of investment in the biogas and biomass production, as well as investment in the production of wood energy, thus using the agriculture and forest potential, mitigating pollution and combating climate changes, implicitly.

For Romania, production of renewable energy is also an important domain. This is supported, in a complementary way, both trough EAFRD and EFRD. Therefore, trough axis 1 from NRDP, financed by EAFRD, will support investments for producing renewable energy realized by small and medium enterprises from rural areas, involved also in the primary processing of agricultural and forestry products, and trough axis 3 of NRDP there will be support for micro-enterprises from rural areas which are involved in producing renewable energy. On the other hand, trough priority axis 4 “Increase of energetic efficiency and sustainable development of the energetic system” from Competitiveness Operational Sectorial Program (POS Competitiveness) financed trough EFRD there will be support for large enterprises and small and medium enterprises which are involved in activities of producing renewable energy other than the one involved in primary processing.

- **Organic farming**

In compliance with the European Action Plan for ecological agriculture, the National Strategic Plan takes into account the development of organic farming. Organic farming is an important instrument in nature conservation and revival of rural areas. These aspects have a great importance for Romania, where it was identified the need to maintain the natural value of farmland and the need of an equilibrated rural development. Organic farming could lead to environmental, economic and social benefits for these areas.

6. National network of rural areas

6.1.1 Objectives and the expected outcome

Romania will establish, in accordance with Article 68 of the Regulation (EC) No 1698/2005, the National Rural Network which shall provide for fulfilling of tasks required at the level of the Country. The objective of the National Rural Network is to analyse and disseminate information on measures of the Communities, to collect and fix proven procedures, to inform on the development in rural regions, to organise for meetings and workshops of stakeholders in rural development and information processing for the needs of the European Rural Network. Romanian Network for Rural Development will be part of European Network for Rural Development and will support dissemination of information and experience on the Community level. In the framework of the programme LEADER, the National Rural Network will provide technical assistance for the trans-national and national cooperation and experience exchange.

The existence in Romania of very dynamic non-governmental organizations knowing the objective and the implementation of European policies will be an advantage in order to set up the Romanian Rural development observatory.

6.1.2 Partners

The network will be managed by the Ministry for Agriculture Forest and Rural Development (MAFRD). The representatives of the central and local authorities, NGOs, research institutes, LAG will be involved in the management of the network as members of a technical committee aiming at monitoring the network. Experts will be hired according to the needs identified by the actors.

According to the subjects, the actors will be gathered in ad hoc format, sometimes all the actors will be concerned, sometimes more targeted actions will be able to concern the actors of particular measures supported by the EAFRD.

6.1.3 Funding and implementation

Romania shall authorise an appropriate entity to provide for tasks of the National Rural Network set out in Regulation (EC) No. 1698/2005 of the Council. The works of the

National Network shall be subject to tasks of the European Rural Network within the meaning of Article 67 of the Council regulation. It shall be managed, in terms of methodology, by the EAFRD Managing Authority at the level of the Ministry of Agriculture Forest and Rural Development. There shall be a specific website developed as a mean for the dissemination of information on the development in the area of the measure implementation. The website will be closely interlinked to other website within the responsibility area of the Ministry of Agriculture Forest and Rural Development and of the European Rural Development network and shall provide the necessary information.

The financial support to the operations of the National Rural Network in the period 2007-2013 shall be, in accordance with Article 66 of the Regulation (EC) No. 1698/2005 of the Council, provided from resources of technical assistance of the Rural Development Programme 2007-2013. The budget of Romanian National Network for Rural Development will represent approximately 2 % of the technical assistance budget.